中国中车
CRRC

中国中车股份有限公司
CRRC CORPORATION LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock code: 1766



Riding over Peaks
With Concerted Innovative Efforts

2021
INTERIM REPORT

IMPORTANT

I. The board of directors (the "Board") and the supervisory committee (the "Supervisory Committee") of the Company and its director(s) (the "Director(s)"), supervisor(s) (the "Supervisor(s)") and senior management (the "Senior Management") hereby warrant the truthfulness, accuracy and completeness of the contents of this interim report and that there is no false representation, misleading statement or material omission in this interim report, for which they will assume, severally and jointly, legal responsibility.

II. This report has been considered and approved at the thirty-second meeting of the second session of the Board of the Company. All Directors attended the Board meeting.

III. The interim report is unaudited.

IV. Sun Yongcai, the Chairman of the Company, Li Zheng, the Chief Financial Officer, and Wang Jian, the head of the Accounting Department (person in charge of accounting affairs) warrant the truthfulness, accuracy and completeness of the financial statements in this interim report.

V. The Company does not have any proposal on profit distribution or transfer of capital reserve fund during the reporting period considered and approved by the Board.

VI. Disclaimer for forward-looking statements

This report contains forward-looking statements that are based on subjective assumptions and judgements on future policies and economic trends and are subject to a variety of uncertainties. The actual results or trends may differ from these forward-looking statements.

Investors should be aware that the forward-looking statements included in this report in relation to future plans, development strategies, etc. do not constitute any substantive commitment to investors by the Company. Investors are advised to pay attention to the investment risks.

VII. There was no appropriation of funds by the controlling shareholder and its associates for non-operating purposes.

VIII. There was no provision of guarantee by the Company in favour of any external party in violation of the prescribed decision-making procedures.

IX. Major risk reminder

The major risk factors faced by the Company include strategic risks, market risks, product quality risks, exchange rate risks, overseas operating risks and industrial structure adjustment risks, which have been described in detail in this report. Please refer to the description of "Potential risks" in "Report of Directors".

X. The 2021 interim results of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and the relevant rules.

XI. Unless specified otherwise, the recording currency used in this report is Renminbi.



CONTENTS



COMPANY INFORMATION

1.	Name of the Company in Chinese	中國中車股份有限公司
	Short name of the Company in Chinese	中國中車
	Name of the Company in English	CRRC Corporation Limited
	Short name of the Company in English	CRRC
	Legal representative of the Company	Sun Yongcai

2.		Secretary to the Board	Securities Affairs Representative
	Name	Li Zheng (Acting Secretary to the Board)	Jin Yonggang
	Contact address	No. 16, Central West Fourth Ring Road, Haidian District, Beijing	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
	Telephone	010-51862188	010-51862188
	Facsimile	010-63984785	010-63984785
	E-mail	crrc@crrcgc.cc	crrc@crrcgc.cc

3.	Registered address of the Company	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
	Postal code of registered address of the Company	100036
	Business address of the Company	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
	Postal code of business address of the Company	100036
	Company website	www.crrcgc.cc
	E-mail	crrc@crrcgc.cc
4.	Newspapers designated for A-share information disclosure by the Company	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
	Website designated by the CSRC for publication of A-share interim report	www.sse.com.cn
	Website designated by the Stock Exchange for publication of H-share interim report	www.hkex.com.hk
	Place where interim report of the Company is available for inspection	The Board Office at No. 16, Central West Fourth Ring Road, Haidian District, Beijing

5.	Type of shares	Place of listing of the shares	Stock abbreviation	Stock code	Stock abbreviation before change
	A shares	SSE	中國中車	601766	中國南車
	H shares	HKSE	CRRC	1766	CSR

6. During the reporting period, there was no change in the registration details of the Company.

7.	Independent auditor	KPMG Huazhen LLP Certified Public Accountants Registered PIE Auditor 8th Floor, KPMG Building, Oriental Plaza, 1 East Chang'an Avenue, Beijing, PRC
8.	Joint company secretaries	Wang Jian, TANG Tuong Hock

9.	Authorized representatives	Lou Qiliang, TANG Tuong Hock
10.	Legal advisors	
	As to Hong Kong law	Baker & McKenzie 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
	As to the PRC law	Jia Yuan Law Offices F408 Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
11.	Principal place of business in Hong Kong	Unit H, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
12.	Domestic registrar and transfer office	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Correspondence address	36/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District, Shanghai
13.	Hong Kong registrar and transfer office	Computershare Hong Kong Investors Services Limited
	Correspondence address	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong



RESULTS HIGHLIGHTS

Revenue
(RMB'000)

From January to June 2021:
95,464,015

From January to June 2020:
89,403,326

6.78%

Net profit attributable to shareholders of the Company
(RMB'000)

From January to June 2021:
3,988,656

From January to June 2020:
3,692,655

8.02 %

Net profit excluding non-recurring gain and loss attributable to the shareholders of parent company
(RMB'000)

From January to June 2021:
2,799,866

From January to June 2020:
3,055,866

-8.38 %

Net cash flow used in operating activities
(RMB'000)

From January to June 2021:
-11,571,341

From January to June 2020:
-14,785,418

Net assets attributable to the shareholders of parent company
(RMB'000)

As at 30 June 2021:
141,861,493

As at 31 December 2020:
143,021,347

-0.81 %

Total assets
(RMB'000)

As at 30 June 2021:
437,319,629

As at 31 December 2020:
392,380,368

11.45 %

Total equity at the end of the Period (shares)

As at 30 June 2021:
28,698,864,088

As at 31 December 2020:
28,698,864,088

Basic earnings per share (RMB/share)

From January to June 2021:
0.14

From January to June 2020:
0.13

7.69 %

Diluted earnings per share (RMB/share)

From January to June 2021:
0.14

From January to June 2020:
0.13

7.69 %

Basic earnings per share excluding non-recurring gain and loss (RMB/share)

From January to June 2021:
0.10

From January to June 2020:
0.11

-9.09 %

Weighted average return on net assets (%)

From January to June 2021:
2.75

From January to June 2020:
2.72

Increase of 0.03 ppt

Weighted average return on net assets excluding non-recurring gain and loss (%)

From January to June 2021:
1.93

From January to June 2020:
2.25

Decrease of 0.32 ppt



A. BUSINESS OVERVIEW

I. Industry and main business of the Company during the reporting period

CRRC is the world's largest and most diverse rolling stock supplier with advanced technology. The main scope of business includes: research and development, design, manufacturing, refurbishment, sales, leasing and technical services of railway locomotives, MUs, urban rail transit vehicles, engineering machinery, various electrical and mechanical equipment, electronic equipment and components, as well as electronic devices and environmental protection equipment; information consultation; industry investment and management; asset management; import and export business.

(I) Industry development

Internationally, with the increasingly intensified reform of the rail transit industry and the restructuring and integration of global industry giants, the industry competition landscape has changed profoundly and the competition has become increasingly fierce. In January 2021, Alstom France completed its acquisition of Bombardier's transportation business. Domestically, the rail transit equipment market, construction of main line railways, and railway operation rights have been fully liberalized, and foreign investment thresholds have been further reduced. Various investment entities and operating entities of rail transit have become increasingly diversified, and business awareness has continued to increase. Some regions and some enterprises have accelerated the deployment of the entire rail transit industry chain and gradually formed the ability to provide systematic solutions. The new business situation of the rail transit industry has gradually become more competitive. With the continuous reform of railway passenger transport and freight transportation, modern integrated transportation system is undergoing rapid construction, demand for urban rail transit vehicles has been diversified, and users have higher requirements for the applicability, safety, reliability and comfort of rail transit equipment products. At the same time, the proposal of "CO2 Emission Peak and Carbon Neutrality" goal has also opened up a broad space for the development of green energy such as wind power, photovoltaics, and hydrogen, as well as green transportation such as rail transit and new energy vehicles. As the world's leading and most diverse rolling stock supplier and systematic solution provider with advanced technologies, CRRC should be market-oriented and customer-centric to optimize business structure, establish and improve the service system with full life cycle, accelerate the transformation towards "manufacturing + service", provide customers with more valuable products and services, and make contribution to build China into a country with strong transportation network leveraging on "CRRC Wisdom" and "CRRC Power".

(II) Main business

1. Railway equipment business

The railway equipment business mainly includes: (1) locomotive business; (2) MUs (including intercity MUs) and passenger carriage business; (3) freight wagon business; (4) track engineering machinery business.

Facing the global market, the Company stayed abreast of changes in the domestic and international railway transport market and trends in the development of technology with an aim to become a world-leading provider of systematic solutions for rail transportation equipment. The Company accelerated innovations in its technology, products, services and business models, and created a systematic, modular and standardized product platform and technology platform, with a view to continuously meeting the requirements for developing an advanced and widely applicable railway system and for intelligent, environment-friendly and safe development. The position of the Company in the industry has been further consolidated, and the railway equipment business has developed steadily. To improve the quality and efficiency of development, the Company accelerated its business integration and structure adjustment, deepened reorganization of locomotive business, MUs business and passenger carriage business. The Company will continue to further its strategic cooperation with State Railway Group, and actively participate in the amendment of the articles and systems of the State Railway. In addition, the Company will give full play to the advantage in the integration of manufacturing, maintenance and service, deepen the aftermarket overhaul services, and accelerate the promotion of independent maintenance and localized cooperation-based maintenance of spare parts.

2. Urban rail transit vehicles and urban infrastructure business

The urban rail transit vehicles and urban infrastructure business mainly includes: (1) urban rail transit vehicles; (2) general contracting of urban rail transit vehicles projects; (3) general contracting of other projects.

Facing the global market, the Company seized new opportunities for the development of metropolitan areas and urban agglomerations, expedited innovations in urban rail transportation equipment technology and products to increase its core competitiveness. The Company created a systematic, modular and standardized product platform and technology platform, constantly consolidated and expanded domestic and international markets with high-quality products and services. The Company actively sought strategic cooperation, gave full play to its comprehensive advantages in equipment manufacturing, business portfolio and integration of industry and financing, focused on intelligent transportation, connectivity and intelligent city construction, vigorously developed the operation, maintenance and overhaul markets, and continued to expand into the service area, general contracting of electromechanical area, and operation and maintenance area. The Company carried out PPP business according to the industry norm, strengthened project management and control, and drove the development of urban rail transit vehicles and related business. The Company accelerated the integration of resources, promoted the combination of manufacturing and service, and made dedicated efforts in maintenance services.

3. New industry business

The new industry business mainly includes: (1) mechanical and electrical business; (2) emerging industry business.

In the mechanical and electrical business, the Company strived to improve technology platform and the construction of industrial chain, and promote upgrade in core business technologies of rail transportation equipment with the focus on mastering core technologies, breaking through key technologies and increasing core competitiveness, and expedited the specialized and scale development of key systems and important spare parts in the industrial, transportation and energy fields. As to the emerging industry, the Company adhered to the principles of "relevance and multi-dimensions, high-end positioning and industry-leading position", strengthened resource allocation, and gave full play to core technological advantages. The Company has developed emerging businesses, with businesses such as wind power equipment and new materials as its important growth poles, and businesses including environmental protection, industrial digital, heavy machinery, ship electric drives and marine engineering equipment as its important growth drivers. The new industries, which are experiencing steady development, have become an important part of the Company's business.

4. Modern service business

The modern service business mainly includes: (1) financial business; (2) logistics and trading business; (3) other business.

By adhering to "integration of industry and financing, promoting industry with financing", the Company strengthened risk control, standardized the construction of financial service platform, investment and financing platform as well as financial lease platform, and accelerated the integrated development of the manufacturing industry and the service industry. The Company made continuous efforts in the industry and financing platform. With funds as carriers and innovation in development models, the function of the physical business was increasingly highlighted. The Company developed its modern logistics service by expanding the scope of centralised procurement and promoting the extensive application of intelligent logistics in CRRC's industrial chain. The Company continuously promoted the development of the "CRRC Procurement (中車購)" e-commerce platform and the CRRC supply chain management e-procurement platform, and new property rights trading business has emerged on the "Enterprises-friendly Purchase (宜企拍)" e-commerce platform of CRRC, and thus its modern service business has achieved healthy development.

5. **International business**

The Company strengthened the top-level design, formulated the market expansion and development plan targeting the countries in Europe and along the "Belt and Road Initiative", enhanced the capacity of international business platform companies, and built a global, centralised, coordinated marketing and regional management system. According to the idea that complete equipment drives components, manufacturing industry drives service industry, general contracting drives industry chain and rail transit equipment drives non-rail transit equipment, the Company expanded overseas markets. In accordance with the concept of "less reliance on assets, emphasis on efficiency and sustainable development", the Company carried out greenfield investments, strategic mergers and acquisitions, joint-venture operation, promoted the all-factor business mode of "product + technology + service + capital + management", promoted the five-locals model, strengthened brand building and promotion, propelled the construction of overseas R&D centers, and continuously improved its industry influence and discourse power.







(III) Major products

Product structure	Main product functions
MUs	Mainly include various electric multiple units and diesel multiple units at the speed of 200 km/hour and below, 200-250 km/hour, 300-350 km/hour and above, which are mainly used to provide main line railway and inter-city railway passenger transport services. On the basis of "import, digestion, absorption and re-innovation", the MU products represented by "Fuxinghao" have independent intellectual property rights.
Locomotives	Mainly include various DC driving and AC driving electric locomotives and diesel locomotives with the largest traction power of 28,800 KW and the highest speed of 200 km/hour, which are mainly used to provide passenger and goods transport services in main line railway. The Company's locomotive products have independent intellectual property rights.
Passenger carriages	Mainly include seater car, sleeping car, dining car, luggage van, generator car, special vehicles, plateau cars and double-deck railway passenger carriages at the speed of 120-160 km/hour, which are mainly used to provide passenger transport services in main line railway. The Company's passenger carriages have independent intellectual property rights.

Freight wagons	Mainly include various railway gondola trucks, box wagon, flatcar, tank truck, hopper car and other special goods transport trucks, which are mainly used to transport goods for main line railway and industrial and mining enterprises. The Company's freight wagons have independent intellectual property rights.
Urban rail transit vehicles	Mainly include subway vehicles, light-rail vehicles, urban (commuting) vehicles, monorail vehicles, maglev train, tramcar, rubber-tyred vehicles, etc., which are mainly used to provide commuter and passenger transport services between cities and suburbs. The Company's urban rail transit vehicles have independent intellectual property rights.
Electrical and mechanical equipment	Mainly include traction electric driving and network control system, diesel engine, braking system, cooling and heat transfer system, train operation and control system, passenger information system, power supply system, gear assembly, etc., which are mainly used to complement with MUs, locomotives, urban rail transit vehicles, tracking engineering machinery products in main line railway and inter-city railway, and part of them are provided to third party customers as spare parts. All of the aforesaid products of the Company have independent intellectual property rights.
Emerging industries	Mainly include wind power equipment and parts (wind turbines, blades, gearboxes, towers, converters, wind power elastic supports, wind power super capacitors, etc.), smart rails, new materials (vibration and noise reduction materials, light quantitative materials, aramid, etc.), and multi-industry complete machines, components, and parts products such as environmental protection, industrial digital, heavy machinery, and marine engineering. All of the aforesaid products of the Company have independent intellectual property rights.



(IV) Operation model

Main operation model: the Company independently completes the manufacturing, repair, research and development, and production and delivery of rolling stock equipment relying on our own technology, craftsmanship, production capability and production qualification.

1. **Production model:** as the value of the product of rolling stock manufacturing industry per unit is comparatively high, its production model is to "limit production to sales", meaning that the arrangement of production is based on purchase order contracts obtained from customers. Not only does this model avoid excess inventory of finished products, it also satisfies the needs of customers by arranging for production according to particular orders.

2. **Purchasing model:** a combination of centralised procurement and decentralised procurement is commonly used. For centralised procurement, it mainly adopts the "unified management, two-level concentration" management model in which purchase applications for bulk materials and key components are collected from all subsidiaries of the Company to form a centralised procurement plan for conduction of centralised supplier management assessment, purchase price management, procurement bidding management as well as centralised ordering and centralised settlement by the Company. For other materials, etc., the subsidiaries shall formulate procurement plans according to production requirements, and select appropriate suppliers and sign supply contracts through centralised organization of bidding and other methods to achieve centralised procurement. Whether it will be done by the Company or its subsidiaries, a centralised procurement shall be completed on the "CRRC Procurement" e-commerce procurement platform to realize open, transparent and traceable management of CRRC's procurement business to ensure timely supply of raw materials for production and reduce procurement costs.

3. **Sales model:** the Company takes advantage of industry technologies to build and improve technology platforms and product platforms for a variety of rail transit equipments in response to user needs, and, for the purpose of providing safe, reliable and affordable products and services, actively participates in open tender or negotiated tender of users inside and outside China, sign supply contracts through bidding and rigorous business negotiations to form orders to guarantee quality and quantity and production on schedule and finally achieve sales.

4. **Distribution of the industrial chain:** the Company has a number of rolling stock equipment manufacturing bases and research bases at an international advanced level. The Company has formed a complete nationwide industrial chain and production system with the main machinery companies of high-speed MUs, locomotives, urban rail transit vehicles, passenger carriages and freight wagons as its core and supporting companies as its backbone.

5. **Distribution of the value chain:** the product value of the Company mainly lies in the value chain distribution system of the comprehensive rolling stock equipment with the production of high-speed MUs, high-power locomotives, urban rail transit vehicles, passenger carriages and freight wagons as well as the manufacturing and repairing of related supporting products as core value, supplemented with financial products, financial-related products and financial lease products.

6. **Research and development model:** the Company has two-level research and development management model of "centralising research and development of technology, jointly developing products and building and sharing capability" in place.

(V) Industry status

As the world's largest and most diverse rolling stock supplier with advanced technology, CRRC has consecutively ranked first in the world in terms of sales volume of rolling stock equipment for years. CRRC actively implemented the strategy of a strong transportation country, set a new development stage, implemented the new development concept, built a new development pattern where domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement, actively adapted to the ever-changing market environment, captured market opportunities, and accelerated structural reform, as well as transformation and upgrades. CRRC made well-targeted efforts in market expansion, international operation, technical innovation, synergic development, digital development, etc., further consolidating its position in the rolling stock equipment industry.

(VI) Production capacity

CRRC earnestly implements supply-side structural reforms and strictly controls the increase of traditional product capacity. As of the end of June 2021, CRRC's annual production capacity of major products was 547 new MUs, 1,530 new locomotives, 2,300 new passenger carriages, 51,500 new freight wagons and 11,840 urban rail transit vehicles (including subway vehicles, tramcars, monorail vehicles and medium and low-speed maglev trains) of general assembly. In future, CRRC will continue to seriously implement supply-side structural reform, strictly control the capacity of new MUs, locomotives, passenger carriages, freight wagons and urban rail transit vehicles of general assembly, by adhering to the goal of "internationalization, structural adjustment, capacity optimization", actively respond to the growth of refurbishment business of MUs, urban rail transit vehicles and high-power AC driving locomotives, vigorously promote the integration of maintenance and manufacturing of MUs, urban rail transit vehicles and locomotives and facilitate resource sharing of maintenance and new manufactures so as to further increase the utilization rate of new manufacturing capacity of MUs, urban rail transit vehicles and locomotives.



II. Analysis of the core competitiveness during the reporting period

(I) Continued leading market position

Since its establishment, CRRC has focused on its principal responsibilities and major businesses, strengthened strategic leadership, deeply grasped opportunities, and actively responded to challenges. It has developed into the world's largest diverse rolling stock supplier with leading technology, and received great attention from leaders of the party and the state. The series of rolling stock equipment represented by high-speed Mus became the "golden card" of China's high-end equipment going global. While focusing on core business, pillar business, support business, platform business, and cultivating business, the Company optimized business layout and enriched product offerings, and has formed a diversified business structure with rolling stock equipment as the core and strategic emerging industries as the main body. The Company further consolidated advantages in the railway equipment business, and developed





the urban rail transit vehicles and urban infrastructure business. It also expanded new businesses such as electromechanical, wind power equipment and new materials, and achieved standardized development in modern service businesses, meeting and leading the diversified market needs. The Company continued its leading position in the global rail transit equipment manufacturing industry in terms of economies of scale index, with the revenue of rail transit equipment business ranking first in the world, and wind power equipment and polymer composite materials entered the forefront in China.

(II) Innovation-driven technological capabilities

CRRC insisted on self-reliance in science and technology, and focused on the safety and stability of the industrial chain and supply chain. In accordance with the general requirement of the industry to move towards mid-to-high end, the Company strengthened the technological innovation system and capacity building, doubled its efforts in scientific and technological research, accelerated technology and product upgrades, and continued to enhance innovation leadership to achieve a major leap from falling behind and catching up to taking the lead. General Secretary Xi Jinping praised when he took the Beijing-Zhangjiakou high-speed rail to Zhangjiakou on 19 January 2021 to inspect the preparations for the Beijing Winter Olympics and Paralympics, "A successful example of our country's independent innovation is the high-speed rail, which grew out of nothing, from introduction, digestion, absorption and then innovation to independent innovation. It has now led the world." In the first half of 2021, the intelligent MU "Fuxinghao" expanded its scope of operation. Equipped with meter-gauge internal combustion and dual power source, the "Fuxinghao" MU was put into operation on the Lalin railway line, achieving full coverage of "Fuxinghao" in 31 provinces (including autonomous regions and municipalities) across the country. Key products including the first Chinese standard subway trains and hydrogen hybrid locomotives were successfully rolled off. In the 22nd China Patent Awards in 2021, CRRC received 1 China Patent Gold Award, 1 China Gold Award for Appearance Design, 2 China Patent Silver Awards, 12 China Patent Outstanding Awards and 1 China Outstanding Award for Appearance Design. The Company steadily promoted digital development, with "digitization, networking, and intelligence" as the main line, vigorously promoted "Internet + technology innovation, management innovation, business model innovation", and built CRRC "intelligent manufacturing network", "product network" and "service network".





(III) The development direction of transnational operations

CRRC adhered to the path of internationalization, focused on rail transportation equipment business, took the "Belt and Road" initiative and international production capacity cooperation as an opportunity. It also made every effort to expand the international market and build a world-class enterprise, and has achieved all-round breakthroughs in product varieties, market coverage, output models, and business models. The Company's products have covered 109 countries and regions in six continents around the world. The Company's export market continued to accelerate the transition from traditional Asian, African, and Latin American markets to high-end markets in Europe, America and Australia. The export model was transformed from single product sales to all-factor output, and the Company continuously strengthened its development in major cities along the "Belt and Road". In the first half of 2021, the Austrian double-deck MUs meeting the TSI standard speed of 200km/h, subway vehicles in Los Angeles, USA, and other vehicles were successfully rolled off. The Company was also awarded bids for the Jakarta-Bandung high-speed comprehensive inspection vehicle project in Indonesia, the UAE diesel multiple unit projects, the bridge passenger car project in Padma, Bangladesh, the Malaysia-Singapore Johor Bahru line light-rail vehicles, and other projects; the "five-locals model" continued to deepen and optimize the layout of overseas resources. As of June 2021, the Company established 82 overseas subsidiaries and more than 40 overseas institutes, as well as 18 overseas R&D centers in countries and regions such as the United States, Australia and Russia.

(IV) Rising brand influence

CRRC continued to strengthen the concept of "One CRRC", built a unified brand management and control system, practiced new development concepts, fulfilled corporate social responsibilities, and continuously improved corporate image. It earnestly practiced the core socialist values, refined the Chinese high-speed rail worker spirit of "serving the country with industry, being brave to innovate, and accelerating the Chinese Dream", which is widely spread as the spirit of state-owned enterprises in the new era. The Company built a corporate culture philosophy system with the mission of "connecting the world and benefiting mankind" and the core values of "righteousness and good". It built consensus with corporate culture, enhanced morale with corporate spirit, and consolidated the cultural foundation of "One CRRC". On 9 May 2021, the China Council for Brand Development released the brand value ranking list, in which the brand value of CRRC reached RMB126.015 billion, making it the No. 1 brand in value terms in the domestic machinery and equipment manufacturing industry again after 2019.

B. THE BOARD'S DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

I. Discussion and analysis of operation

In the first half of 2021, the Company achieved revenue of RMB95.464 billion, representing an increase of 6.78%; net profit attributable to shareholders of parent company was RMB3.989 billion, representing an increase of 8.02%.

II. Major operation results during the reporting period

(I) Analysis of main business

1. Analysis of changes in relevant items in financial statements

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the same period of previous year	Change (%)
Revenue	95,464,015	89,403,326	6.78
Operating costs	75,391,745	70,373,477	7.13
Selling expenses	3,267,581	2,796,099	16.86
Administrative expenses	5,943,254	5,380,319	10.46
Financial expenses	330,895	486,350	-31.96
Research and Development expenses	5,086,763	4,422,787	15.01
Net cash flow used in operating activities	-11,571,341	-14,785,418	–
Net cash flow from investment activities	-17,265,013	-17,099,953	–
Net cash flow used in financing activities	20,559,570	21,942,348	-6.30

(1) Analysis of revenue and cost

Revenue increased by 6.78% as compared to the same period of the previous year, mainly due to the growth in revenue from new industry and urban rail transit vehicles.

Operating costs increased by 7.13% as compared to the same period of the previous year, mainly because the operating costs increased as revenue grows. Operating costs increased at a slightly higher rate than revenue due to the different product mix.

Information on main business by industry, product and region

Main business by industry

Unit: '000 Currency: RMB

By industry	Revenue	Operating costs	Gross profit margin (%)	Increase/ decrease in revenue from the same period of the previous year (%)	Increase/ decrease in operating costs from the same period of the previous year (%)	Increase/ decrease in gross profit margin from the same period of the previous year
Railway transportation equipment and their extent industries	95,464,015	75,391,745	21.03	6.78	7.13	Decreased by 0.26 ppt

Main business by product

Unit: '000 Currency: RMB

By product	Revenue	Operating costs	Gross profit margin (%)	Increase/ decrease in revenue from the same period of the previous year (%)	Increase/ decrease in operating costs from the same period of the previous year (%)	Increase/ decrease in gross profit margin from the same period of the previous year
Railway equipment	37,734,606	29,206,209	22.60	-5.96	-4.29	Decreased by 1.35 ppt
Urban rail transit vehicles and urban infrastructure	22,809,839	18,172,610	20.33	7.33	4.97	Increased by 1.79 ppt
New industry	31,458,957	25,597,177	18.63	25.49	25.34	Increased by 0.09 ppt
Modern service	3,460,613	2,415,749	30.19	17.02	13.69	Increased by 2.04 ppt
Total	95,464,015	75,391,745	21.03	6.78	7.13	Decreased by 0.26 ppt

Main business by region

Unit: '000 Currency: RMB

By region	Revenue	Increase/ decrease in revenue from the same period of the previous year (%)
Mainland China	86,074,309	3.63
Other countries or regions	9,389,706	47.97

Explanation of main business by industry, by product and by region

Revenue from the railway equipment business decreased by 5.96% as compared to the same period of the previous year, mainly due to the decrease in the sales income of freight wagon and MUs business. Operating costs decreased by 4.29% as compared to the same period of the previous year, mainly because the operating costs decreased as the revenue decreased. Due to the difference in product type, the decrease in costs was slightly lower than the decrease in revenue.

Revenue from urban rail transit vehicles and urban infrastructure business increased by 7.33% as compared to the same period of the previous year, mainly due to the increase in the revenue from urban rail transit vehicles as well as equipment and facilities of urban rail engineering station during the current period. Operating costs increased by 4.97% as compared to the same period of the previous year, mainly because the operating costs increased following the increase in revenue. Due to the difference in product type, the increase in costs was slightly lower than the increase in revenue.

Revenue from the new industry business increased by 25.49% as compared to the same period of the previous year, mainly due to the increase in revenue from wind power business. Operating costs increased by 25.34% as compared to the same period of the previous year, mainly because the operating costs increased as revenue grows.

Revenue from the modern service business increased by 17.02% as compared to the same period of the previous year, mainly due to the growth in the leasing business and logistics business during the period. Operating costs increased by 13.69% as compared to the same period of the previous year, mainly due to the increase in revenue.

Revenue of the Company increased by 6.78% as compared to the same period of the previous year, and revenue from railway equipment business, urban rail transit vehicles and urban infrastructure business, new industry business and modern service business accounted for 39.53%, 23.89%, 32.95% and 3.63%, respectively, of total revenue. In particular, revenue generated by the locomotive business of the railway equipment business was RMB4.960 billion; revenue generated by the passenger carriage business was RMB3.137 billion; revenue generated by the MUs business was RMB27.282 billion; revenue generated by the freight wagon business was RMB2.356 billion. Revenue generated by the urban rail vehicles of the urban rail transit vehicles and urban infrastructure business was RMB20.644 billion. During the reporting period, the Company entered into new contracts in the value of RMB94.9 billion, of which new overseas contracts were in the value of RMB14.9 billion.

(2) Analysis of cost

Unit: '000 Currency: RMB

Cost of main business by industry

By industry	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Proportion in total cost for the same period of the previous year (%)	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)
Railway transportation equipment and their extent industries	75,391,745	100.00	70,373,477	100.00	7.13

Cost of main business by product

By product	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Proportion in total cost for the same period of the previous year (%)	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)
Direct materials	62,930,330	83.48	59,370,185	84.36	6.00
Direct labour costs	4,616,507	6.12	3,848,770	5.47	19.95
Manufacturing costs	4,976,819	6.60	4,532,704	6.44	9.80
Others	2,868,089	3.80	2,621,818	3.73	9.39
Total	75,391,745	100.00	70,373,477	100.00	7.13

(3) Information on major customers and suppliers

The sales to the top 5 customers amounted to RMB45.764 billion, accounting for 47.94% of the total sales for the period; of which sales to related parties of the top 5 suppliers was RMB0, representing 0% of total sales for the period.

The procurement from the top 5 suppliers amounted to RMB4.877 billion, accounting for 7.22% of the total amount of procurement for the period; of which procurement from related parties of the top 5 suppliers was RMB0, representing 0% of total procurement for the period.

Other descriptions

State Railway Group (including its affiliated railway bureau group company and its subsidiaries) is the largest customer of the Company, which accounted for 35.57% of the total sales of the Company for the period.

(4) Expenses

Selling expenses increased by 16.86% as compared to the same period of the previous year, mainly due to the increase in provision for the product quality warranty.

Administrative expenses increased by 10.46% as compared to the same period of the previous year, mainly due to the increase in employee benefits during the period.

Financial expenses decreased by 31.96% as compared to the same period of the previous year, mainly due to lower foreign exchange losses resulted from the foreign exchange fluctuation.

(5) R&D Investment

Total R&D investment for the current period was approximately RMB5.168 billion, accounting for 5.41% of revenue. The Company will continue to focus on independent and controllable and intelligent technology research that resonates with industry synergy and "carbon peaking and carbon neutrality", and to carry out key core technology research. All current R&D projects are progressing smoothly.

(6) Cash flow

The cash flow from operating activities was a net outflow of RMB11.571 billion, representing a decrease in net outflow of RMB3.214 billion as compared to the same period of the previous year, mainly due to the decrease in the cash payment for purchase of goods and receipt of service during the reporting period as compared to the same period of the previous year.

The cash flow from investing activities was a net outflow of RMB17.265 billion, representing an increase in net outflow of RMB165 million as compared to the same period of the previous year, mainly due to the decrease in cash received for recovery of investments during the reporting period as compared to the same period of the previous year.

The net cash flow from financing activities was a net inflow of RMB20.560 billion, representing a decrease in net inflow of RMB1.382 billion as compared to the same period of the previous year, mainly due to the increase in cash payment for debt repayment during the reporting period as compared to the same period of the previous year.

2. **Detail explanation on significant changes in business type, composition of profit or source of profit of the Company during the Period**

During the reporting period, the Company had no significant changes in business type, composition of profit or source of profit.

(II) Explanation on significant changes in profit resulting from non-principal business

During the reporting period, the Company had no significant changes in profit resulting from any non-principal business.

(III) Analysis of assets and liabilities

1. Asset and liabilities

Unit: '000 Currency: RMB

Name of item	Amount at the end of the period	Amount at the end of the period as a percentage of total assets (%)	Amount at the end of the previous period	Amount at the end of the previous period as a percentage of total assets (%)	Amount at the end of the period compared to amount at the end of the previous period (%)
Held-for-trading financial assets	8,871,048	2.03	5,799,390	1.48	52.97
Accounts receivable	96,215,630	22.00	71,969,626	18.34	33.69
Financial assets purchased under resale agreements	120,000	0.03	–	–	–
Debt investments	2,515,396	0.58	1,169,010	0.30	115.17
Borrowings from the central bank	869,581	0.20	–	–	–
Deposits from banks and other financial institutions	1,000,111	0.23	–	–	–
Short-term borrowings	17,553,307	4.01	11,782,170	3.00	48.98
Deposits from banks and other financial institutions	2,647,733	0.61	4,122,366	1.05	-35.77
Other payables	15,204,769	3.48	9,950,181	2.54	52.81
Other current liabilities	15,836,873	3.62	2,859,975	0.73	453.74
Long-term borrowings	7,320,793	1.67	4,202,602	1.07	74.20

Other descriptions

Held-for-trading financial assets increased by 52.97%, mainly due to the increase in financial products purchased by the Company.

Accounts receivable increased by 33.69%, mainly due to the concentration of deliveries by the Company at the end of the period.

Financial assets purchased under resale agreements were added during the period, mainly due to new financial assets purchased under resale agreements by the Finance Company.

Debt investments increased by 115.17%, mainly due to the increase in certificates of deposit made by the Finance Company.

Borrowings from the central bank were added during the period, mainly due to new borrowings from central bank by the Finance Company.

Deposits from banks and other financial institutions were added during the period, mainly due to new funds-in-transit from the Finance Company.

Short-term borrowings increased by 48.98%, mainly due to the increase in bank borrowings by the Company to meet its daily production and operational needs.

Deposits from banks and other financial institutions decreased by 35.77%, mainly due to the decrease in deposits taken by the Finance Company.

Other payables increased by 52.81%, mainly due to the outstanding payment of dividends declared by the Company.

Other current liabilities increased by approximately 453.74%, mainly due to the addition of new super short-term financing bills by the Company.

Long-term borrowings increased by approximately 74.20%, mainly due to the addition of long-term bank borrowings by the Company.

2. Material assets subject to restriction as of the end of the reporting period

For details, please refer to "69. Assets with restriction of ownership" under "V. Notes of Consolidated Financial Statements" in "Financial Report".

(IV) Debt structure, liquidity and cash flow

1. Debt structure

As of 30 June 2021, the Company's gearing ratio increased to 61.40% from 56.89% at the beginning of the year (the ratio was calculated by dividing the Group's total liabilities by its total assets as at 30 June 2021).

2. Significant capital expenditure and capital commitment

(1) Significant capital expenditure

From January to June 2021, the significant capital expenditure of the Company is as the following table:

Items	From January to June 2021 (RMB'000)
Fixed assets	356,908
Construction in progress	2,072,642
Intangible assets	287,220
Development expenses	5,167,964
Total	7,884,734

(2) Capital commitment

As at 30 June 2021, the capital commitments that the Company had contracted but not yet undertaken was RMB2,578 million, which will be used mainly for property, plant and equipment and land lease prepayments.

3. Detail information on contingent liabilities of the Company

The Company has no significant contingent liabilities other than the guarantees provided by the Company as set out in the section headed "Significant Events" in this interim report.

4. Detail information on mortgaged assets of the Company

Items	Carrying value as at 30 June 2021 (RMB'000)
Cash and bank balances	2,717,292
Bills receivable	3,786,177
Accounts receivable	8,465
Receivables at FVTOCI	73,083
Long-term receivables (inclusive of the portion due within one year)	2,529,588
Fixed assets	180,433
Other non-current assets	2,505,797
Total	11,800,835

5. Borrowings, corporate bonds and notes

As at 30 June 2021, the Company had total borrowings, bonds and notes of approximately RMB43,100 million, as compared to the total amount of approximately RMB23,141 million as at 31 December 2020.

As at 30 June 2021, out of the total borrowings, bonds and notes of the Group, RMB38,720 million was denominated in Renminbi, RMB2,281 million was denominated in USD, and RMB1,405 million was denominated in Euro.

The Company's long-term interest-bearing borrowings, bonds and notes and short-term interest-bearing borrowings, bonds and notes as at 30 June 2021 were RMB9,821 million and RMB33,279 million, respectively.

As at 30 June 2021, the total bank and other borrowings of the Company with floating interest rates amounted to RMB8,950 million, as compared to RMB5,754 million as at 31 December 2020.

The following table set out the maturity profile of the Company's repayable borrowings, bonds and notes as at 31 December 2020 and 30 June 2021:

	30 June 2021 Amount (RMB'000)	31 December 2020 Amount (RMB'000)
Within one year (starting date and ending date inclusive)	33,279,019	16,438,878
One to two years	4,826,124	2,112,063
Two to five years	2,798,741	3,090,018
Over five years	2,195,928	1,500,521
Total	43,099,812	23,141,480

As at 30 June 2021, the total borrowings, bonds and notes of the Company amounted to approximately RMB43,100 million, representing an increase of 86.25% from RMB23,141 million as at 31 December 2020, mainly due to the increase in super short-term financing bills.

6. Cash flow

As at 30 June 2021, the cash and cash equivalents owned by the Company amounted to approximately RMB21,467 million, of which RMB15,864 million was denominated in RMB; RMB1,751 million was denominated in USD; and RMB1,702 million was denominated in Euro.

(V) Analysis of investment

1. Overall analysis of external equity investment

As of the end of the reporting period, the long-term equity investment of the Company was RMB17.157 billion, representing an increase of RMB1.037 billion or 6.43% from the beginning of the year, which was mainly due to the Company's additional investment in associates and joint ventures of RMB1.136 billion during the period. For details, please refer to Note V.15 Long-term equity investments to the financial statements.

(1) Significant equity investment

There was no significant equity investment during the reporting period.

(2) Significant non-equity investment

There was no significant non-equity investment during the reporting period.

(3) Financial assets measured at fair value

Unit: '000 Currency: RMB

	Opening balance	Gains/losses from changes in fair value during the current period	Aggregate changes in fair value included in equity	Provision for impairment loss during the current period	Other changes increase/ decrease during the current period	Closing balance
1. Held-for-trading financial assets	5,799,390	76,505	–	–	2,995,153	8,871,048
Including: derivative financial assets	2,428	244	–	–	–	2,672
Including: corporate wealth management products	4,190,475	8,311	–	–	2,497,764	6,696,550
Including: equity instrument investment	1,606,487	67,950	–	–	497,389	2,171,826
2. Other equity instrument investment	2,662,850	–	-39,280	–	-5,206	2,618,364
Including: listed equity instrument investment	1,131,167	–	-39,234	–	-11,115	1,080,818
Including: non-listed equity instrument investment	1,531,683	–	-46	–	5,909	1,537,546
3. Receivables at fair value through other comprehensive income	8,164,214	–	-18,356	-7,077	-302,218	7,843,640
Including: accounts receivable	1,471,159	–	-3,240	-7,077	-19,656	1,448,263
Including: bills receivable	6,693,055	–	-15,116	–	-282,562	6,395,377
4. Other non-current financial assets	578,293	–	–	–	-5,446	572,847
Including: preference share and perpetual bond	578,293	–	–	–	-5,446	572,847
Subtotal of financial assets	17,204,747	76,505	-57,636	-7,077	2,682,283	19,905,899

(VI) Significant sale of assets and equity

There was no significant sale of assets and equity during the reporting period.

(VII) Analysis of major companies controlled or invested in by the Company

Unit: '000 Currency: RMB

Company name	Product and scope of main business	Registered capital	Total assets at the end of the period	Net assets at the end of the period attributable to the shareholders of the parent company	Net profit from January to June 2021 attributable to the shareholders of the parent company	Revenue from January to June 2021	Operating profit from January to June 2021
CRRC Changchun	Design, manufacturing, repair, sale and lease of railway passenger carriages, MUs, urban rail transit vehicles and the accessories thereof, as well as related technical services and technical consultancy etc.	5,807,947	69,865,277	21,947,254	1,416,451	14,843,981	1,693,744
CRRC Sifang	R&D and manufacturing of railway MUs, passenger carriages and urban rail transit vehicles; and repair services for railway MUs and high-end passenger carriages etc.	4,322,565	71,454,932	17,477,041	1,401,395	20,380,090	1,612,509
CRRC ZELRI	Research and manufacturing on electric drive and control technologies related to rail transit and relevant electrical equipment; and research and development and manufacturing of railway locomotives and accessories thereof etc.	8,446,840	65,837,535	19,394,074	524,240	16,210,235	1,200,245
CRRC Zhuzhou	R&D and manufacturing of railway electric locomotives, MUs and urban rail transit vehicles etc.	5,455,090	36,184,486	10,679,224	442,666	8,485,940	535,874
CRRC Tangshan	Manufacturing of railway transportation equipment; sale and lease of railway vehicles, electric MUs, diesel MUs, maglev trains, special vehicles, test vehicles, urban rail transit vehicles and accessories thereof; and technical consulting services etc.	3,990,000	26,653,639	11,356,212	6,303	4,229,183	-7,570

(VIII) Structured entities controlled by the Company

There were no structured entities under the control of the Company during the reporting period.

(IX) Use of proceeds from H Shares

As approved by the "Reply in relation to the Approval of China CNR Corporation Limited to Issue Overseas Listed Foreign Shares" (CSRC Permit No. [2014] No. 404) issued by CSRC, CNR issued through its public offering 1,939,724,000 (including over-allotment) overseas listed foreign shares (H shares) in May 2014 and the proceeds raised totaled HKD10.028 billion. As of 30 June 2021, the proceeds of H shares used by the Company in aggregate were approximately HKD10.060 billion, the actual use is as follows: to increase capital contribution of approximately HKD6.640 billion into subsidiaries, to replenish its working capital and repay bank loans of approximately HKD3.157 billion, to finance the product research and development expense of approximately HKD60 million and to pay issuance costs of approximately HKD203 million, which are in line with use of proceeds disclosed previously. As of 30 June 2021, interest of bank deposits received for the proceeds from issuance of H shares amounted to HKD115 million in total and the proceeds not yet used by the Company raised through issuance of H shares, plus interests thereon accrued, amounted to HKD83 million. It is expected that the proceeds of HKD83 million will be used to finance the product research and development expense and replenish the working capital by 2022, which is in line with the use of proceeds as disclosed previously.

III. Other Discloseable Matters

Potential Risks

1. Strategic risks

Currently, the domestic railway transportation reform continues to deepen. The reform of the corporate system of the State Railway Group and other railway bureaus has been completed. The structural changes in customer demand for railway equipment have accelerated, and the scope and proportion of autonomous maintenance of railway equipment have continued to expand. With the gradual refinement of the division of labor in society and the continuous improvement of the technical standards of rail transit equipment, user demands are changing from a single rolling stock to the integration of full-cycle services; the bidding method has gradually changed from a single rolling stock procurement to a general contracting and PPP model, and the value structure of the rail transportation industry chain has changed: new materials, new technologies and new processes are used for rail transportation equipment, and there is even more urgent need for development in the direction of systematic, light weight, high-speed heavy loading and green intelligence. These changes may lead to a lot of uncertainties in the market environment and room for development, which will bring risks to the Company's strategic and operational goals.

Response measures: The Company will collect information, in a timely manner, of industrial policy or industrial planning which is in relation to the Company's operation; conduct proper studies on policy and trend and positively deal with possible changes in policies and industrial planning; strengthen the development of new products, develop new business models, and actively create value for customers; strengthen internal management; improve operation and management standards of the Company; reduce operating costs; endeavour to improve operational efficiency and enhance ability to mitigate policy risks.

2. Market risks

At present, the domestic rail transit equipment market, main line railway construction and railway operation rights have been fully liberalized. The willingness for society to invest in the rail transit equipment sector has increased significantly. State-owned, private, and foreign-funded enterprises have entered the rail transportation field one after another, cross-border competition has become the norm, and competition within the industry has become more intense. With the rapid development of new technologies and new business forms, railway passenger and freight transportation are constantly optimized in terms of the market, service and innovation, and market demand may undergo structural adjustment. The global railway transportation industry is undergoing deep integration, the industry giants are accelerating their reshuffle and frequently conducting reorganization and integration, and the market competition is intensifying. The rising international trade protectionism intensifies international competition within the industry, and increases uncertainty and uncontrollable factors in the international market. Such factors may lead to the increasing costs of the Company and make it more difficult to obtain orders, and the Company's "internationalization" strategy will face more challenges. At the same time, the COVID-19 pandemic may have periodical impact on the Company's production organization, parts and materials supply, and product delivery cycle.

Response measures: The Company will proactively communicate with major clients; collect information relating to domestic economy, politics and the industry in a timely manner; conduct proper studies of market trends; by adhering to innovation-driven approach, extending the industrial chain, and providing systematic service solutions, optimize the industrial structure of the Company and expand new business models. Make good top-level planning, strengthen the research and practice of worldwide corporate governance structure and multinational management control models, and improve management of cross-border operation; establish business platform, continue to implement the "five-locals model", accelerate the five-in-one international operation, rely on core export companies and platform companies, fully increase the breadth and depth of overseas market development, and improve the global industrial network; strengthen organizational mobilization, commission our emergency response plans, invest in resources to fully respond to the pandemic, perform well in communicating with upstream and downstream customers, to reduce the adverse impact on the Company's operations.

3. Product quality risks

In the railway market, a "trinity" safety guarantee mechanism covering related personnel, materials and technologies has been earnestly constructed by major clients to ensure railway safety, thus posing higher standards for the safety and reliability of rail transportation product quality and bringing more challenges for the Company's constantly improving product lineage and continuous deepening of technological innovation. The Company is a rail transit equipment enterprise, and most of its products are related to the interests of the public. With a large number of MUs put into use, the quality and operational safety of the Company's products will become the focus of continuous attention of the society, and product quality issues may cause property losses of the public or casualties.

Response measures: The Company will make overall plans and strengthen the physical quality control of products. With CRRC's quality standard as the core, we will strengthen the quality and safety precautions in the design process, refine the quality and safety control of the production process, stabilize the quality assurance ability during the product realization process, and ensure the stability of the product quality. We will strengthen supply chain quality risk management to ensure that hidden quality and safety hazards are effectively controlled at the source of product realization. We will continuously carry out the rectification of product source quality problems, improve the emergency guarantee mechanism for safety and quality problems, improve the response speed and coordination level of responding to emergencies and emergency rescue, and reduce the harm and impact caused by the incident.

4. Foreign exchange risks

With the accelerated pace of internationalization of the Company, product exports, overseas investments, mergers and acquisitions and other activities will further increase, which may trigger various risks due to exchange rate fluctuations. For example, in light of fluctuating international financial environment, the movement of exchange rate is difficult to predict, and the Company may suffer exchange losses; and since some overseas product items are settled in non-major currencies, it is difficult to hedge against exchange risks; uncertain foreign exchange collection time makes it more difficult in the adoption of hedging.

Response measures: The Company will closely follow the exchange rate movement, strengthen the awareness of relevant personnel of risk prevention, establish an exchange rate risk prevention mechanism, adopt different currency transactions and so on, and financial hedging instruments will be used to deal with exchange rate risks.

5. Overseas operating risks

Affected by the overseas pandemic, the Company's overseas business is restricted in terms of import and export, which may hinder the planned technical communication and bid clarification, reduce the efficiency of bid preparation for the proposed bid project, and increase the difficulty of completing the annual overseas order index; at the same time, it may cause the owners to postpone or cancel their visit plan, cancellation or postponement of the plan to participate in the exhibitions, reduction of potential market projects due to the financial contraction of the owner's nation and increasing difficulty in obtaining orders. The worldwide spread of COVID-19 pandemic has triggered global economic turmoil and decreased demand, which has brought a great negative impact on economic operations, business operations and market expectations. There will remain many uncertainties in 2021.

Response measures: The Company will innovate market development approaches and methods, and make full use of local resources such as overseas subsidiaries and local partners to strengthen the development of target markets. Facing difficulties in departures, we will strengthen contacts with domestic general contractors, design institutes, and trading companies, and establish a normalized communication mechanism with them to drive foreign trade with domestic resources; at the same time, we will continue to improve overseas marketing models and explore expansion in overseas market participation model. In terms of existing customers, we will comprehensively sort out and evaluate orders in hand, communicate with customers in a timely manner and negotiate orders that may be suspended or cancelled by customers, so as to reduce export risks.

6. Industrial structure adjustment risks

Due to historical reasons, parts of the sectors in the rail transportation business of the Company have overcapacity problems and are facing industrial structure adjustment. A number of factors including connectivity to the industry, industry base, technological conditions and resource sufficiency posed various difficulties and risks for the industrial structure transformation of the Company.

Response measures: The Company has established a special institution to research on the reform plan in the rail transportation sector. According to the principle of adopting different strategies for different sectors and through methods including business restructuring, capacity shrinking, we will inspire the dynamisms of the Company, gradually build a structure of resource sharing and win-win mutual development, and continue to optimize the deployment of rail transportation resources, thus achieving the maximization of resource efficiency and interests of the Company.

I. BRIEF INTRODUCTION TO GENERAL MEETING

Session of meeting	Convening date	Query index of the designated website where the resolutions were published	Disclosure date of the published resolutions	Resolutions of the meeting
2020 annual general meeting of CRRC Corporation Limited	18 June 2021	www.sse.com.cn www.hkex.com.hk	19 June 2021	Poll results of the 2020 Annual General Meeting of CRRC Corporation Limited

II. CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change
Liu Hualong	Chairman and Executive Director	Resignation
Sun Yongcai	Chairman and Executive Director	Election
Xie Jilong	Secretary to the Board	Resignation
Lou Qiliang	Executive Director and President	Election

Notes:

On 22 March 2021, Mr. Liu Hualong resigned as the Chairman, an executive Director, the chairman and a member of Strategy Committee of the Board, and a member of the Nomination Committee of the Board of the Company due to work adjustment.

On 30 March 2021, the Company held the 27th meeting of the second session of the Board to elect Mr. Sun Yongcai as the Chairman of the Board of the Company. According to the Articles of Association and the rules and regulations, Mr. Sun Yongcai will also serve as the legal representative of the Company and the chairman of the Strategy Committee of the Board of the Company.

On 11 August 2021, Mr. Xie Jilong resigned as the Secretary to the Board and Joint Company Secretary due to work adjustment.

On 27 August 2021, the Company held the 32nd meeting of the second session of the Board to elect Mr. Lou Qiliang as the President of the Company.

III. PROPOSAL FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

The Company did not have any proposal for distribution or transfer of capital reserve to share capital during the reporting period.

IV. SHARE OPTION SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER STAFF INCENTIVE MEASURES AND THEIR IMPACTS

During the reporting period, the Company had no related share option scheme, employee stock ownership scheme and other staff incentive measures.

V. EMPLOYEES OF THE COMPANY AND THEIR REMUNERATION AND TRAINING

During the reporting period, there were no significant changes in the total number, composition, remuneration and training of the employees of the Group since the disclosure of the 2020 annual report.

VI. CORPORATE GOVERNANCE

During the reporting period, the Company carried out corporate governance work in strict compliance with requirements of laws and regulations such as the Company Law, the Securities Law and the Code of Corporate Governance for Listed Companies as well as relevant requirements of the SSE and the Stock Exchange and established the modern corporate governance structure featuring "General Meeting, the Board, the Supervisory Committee and the Management". Through the establishment of an effective corporate governance mechanism, corporate governance and operation management continuously improved such that the corporate governance of the Company is further perfected.

(I) Compliance with the Corporate Governance Code

The Board has reviewed the documents in relation to corporate governance adopted by the Company, and is of the opinion that, during the reporting period, except as described below, the Company was in compliance with the principles and code provisions in the Corporate Governance Code, and adopted part of the recommended best practices specified therein. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the Corporate Governance Code.

Code provision A.2.1 of the Corporate Governance Code stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. According to the announcement of the Company dated 22 March 2021, Mr. Liu Hualong resigned as the Chairman, an executive Director, the chairman and a member of Strategy Committee of the Board, and a member of the Nomination Committee of the Board of the Company due to work adjustment. According to the announcement of the Company dated 30 March 2021, Mr. Sun Yongcai, an executive Director and President of the Company, was elected as the chairman of the Company and also served as the legal representative of the Company and the chairman of the Strategy Committee. Accordingly, the Company has deviated from Code Provision A.2.1 of the Corporate Governance Code. Notwithstanding the above, the Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced talents with a sufficient number of Directors being independent non-executive Directors, and therefore, the performance of the roles of the Chairman of the Board and the President of the Company concurrently by Mr. Sun Yongcai will not impair the balance of power and authority between the Board and the management of the Company and the deviation from Code Provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance. In addition, the Company has elected Mr. Lou Qiliang, a Director of the Company, as the President of the Company on 27 August 2021, and Mr. Sun Yongcai resigned from the position of President of the Company on the same day. Therefore, the Company has met the requirements set out in Code Provision A.2.1 of the Corporate Governance Code.

(II) Securities Transactions by Directors and Supervisors

The Company has adopted the Management Method Regarding the Shareholding of Directors, Supervisors and Senior Management on terms no less exacting than the required standards of securities transaction set out in the Model Code. Relevant employees who are likely to learn inside information in relation to the securities of the Company are also subject to the rules required under such document.

The Company has strictly complied with the relevant requirements of the Hong Kong Listing Rules (especially the Model Code) and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), and published notices on a regular basis to inform important notes for securities transaction by the Directors and Supervisors. The Company also imposed similar requirements on those key personnel who may have knowledge of inside information. The Company has confirmed that, during the reporting period, all the Directors and Supervisors have complied with the requirements for securities transactions mentioned above.

(III) Review of the interim report by the Audit and Risk Management Committee

The Audit and Risk Management Committee has reviewed the Company's unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2021, and has agreed on their submission to the Board for consideration and approval.

I. PERFORMANCE OF UNDERTAKINGS

Undertakings by relevant parties of undertakings, such as actual controller, shareholders, related parties, acquirer and the Company, during or up to the reporting period:

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
Material assets reorganization related commitment	Resolution of same industry competitions	CRRC	Non-competition undertaking with Times New Material: on 5 August 2015, CRRC issued the Letter of Undertaking of Non-competition with Zhuzhou Times New Material Technology Co., Ltd.(《關於避免與株洲時代新材料科技股份有限公司同業競爭的承諾函》) to Times New Material in order to resolve the issue of competition between CRRC and Times New Material after the merger between CSR and CNR. The specific undertakings are as follows: the current operations of CRRC in fields such as air springs for rail vehicles and rubber-metal parts for rail vehicles compete with the operations of Times New Material, which is indirectly controlled by the Company. In order to resolve such competition with Times New Material, in accordance with relevant laws and regulations, the Company undertook that it will resolve such issue with Times New Material within five years from the date of this letter of undertaking in the manner approved by the regulatory authorities (including but not limited to asset restructuring, business integration etc.).	Undertakings dated 5 August 2015, term is 5 years commencing from the date of issuance of this letter of undertaking. On 9 July 2020, the term has been extended to 31 December 2022.	Yes	Yes	In July 2020, Times New Material and Qingdao Sri Technology Co., Ltd. (hereinafter referred to as "Sri Technology"), a wholly-owned subsidiary of Qingdao Sifang, have been implementing a restructuring plan related to competing business. Sri Technology will inject assets, business and staff involved in competition into Times New Material.	Qingdao Sifang has made a written commitment to Times New Material: after the completion of the construction and completion inspections of the Intelligent Manufacturing Project, by 31 December 2022, it will transfer the Intelligent Manufacturing Project to Qingdao Borui Zhiyuan Damping Technology Co., Ltd. (青島博鋭智遠減振科技有限公司), a subsidiary of Times New Material, in compliance with the assets evaluation value confirmed by asset evaluation methods approved by the SASAC and other regulatory authorities by way of transfer by agreement; at the same time, it will not engage in competing business through Intelligent Manufacturing Project before the transfer.

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
							The "Application project of intelligent manufacturing new model of high-speed rail oscillating damper products" (hereinafter referred to as the "Intelligent Manufacturing Project") implemented by Qingdao Sifang falls within the category of assets of competing business and it is currently under construction and the construction as well as the completion inspections are expected to be completed before 31 December 2021. The Intelligent Manufacturing Project is temporarily not included in the scope of this restructuring plan, mainly due to the fact that the Intelligent Manufacturing Project is currently under construction. A series of equipment procurement and engineering construction contracts were signed for the project by Qingdao Sifang as the legal entity, and any changes of implementing entities in the process can affect the normality in the implementation of the project resulting in a delay in the project construction. In order to ensure the continuity of project construction, to ensure that the project is completed on time with great quality, and achieve the project's expected goals, it is not suitable to change the project implementing entities during the project construction period.	The Company extends the validity period of the original Letter of Undertaking of Non-competition with Zhuzhou Times New Material Technology Co., Ltd. (《關於避免與株洲時代新材料科技股份有限公司同業競爭的承諾函》) to 31 December 2022. Except for the change of the term of undertakings, other undertakings remain unchanged. Times New Materials also approved the "Proposal on Partial Extension of Commitments of Indirect Controlling Shareholders to Avoid Same Industry Competition" at the first extraordinary general meeting in 2020.

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
							For the above reasons, it is not suitable to inject the assets of the Intelligent Manufacturing Project into Times New Material before the completion of the construction and the completion inspections of the Intelligent Manufacturing Project (i.e. before the aforesaid commitment expiry date of 4 August 2020). In addition, as the Intelligent Manufacturing Project will effectively improve production efficiency and reduce operating costs after its completion, it will not be conducive to the future development of Times New Material if the project is terminated or transferred to other parties to resolve the same industry competitions. In summary, the Company is of the view that under the premise of resolving the same industry competitions and protecting the interests of Times New Material, the current preferred plan is to inject Intelligent Manufacturing Project into Times New Material after the completion of construction and completion inspections of Intelligent Manufacturing Project of Qingdao Sifang.	

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Resolution of same industry competitions	CRRC	Non-competition undertaking with Times Electric: on 5 August 2015, CRRC issued the Letter of Undertaking of Non-competition with Zhuzhou CSR Times Electric Co., Ltd.(《關於避免與株洲南車時代電氣股份有限公司同業競爭的承諾函》) in order to resolve the issue of competition between CRRC and Times Electric after the merger between CSR and CNR. The specific undertakings are as follows: the current operations of CRRC in fields such as transmission control systems, network control systems, traction power supply system, braking system, track construction machinery, electronic components and vacuum sanitation system compete with the operations of Times Electric, which is indirectly controlled by the Company. To safeguard the interests of Times Electric in its future development, in accordance with relevant laws and regulation, CRRC undertook that with respect to the operations of CRRC that compete with the operations of Times Electric: (1) CRRC will grant Times Electric a call option, pursuant to which Times Electric will be entitled to elect, at its own discretion, when to request CRRC to sell the competing businesses of CRRC to Times Electric; (2) CRRC will further grant Times Electric a pre-emptive right, pursuant to which if CRRC proposes to sell the competing business to an independent third party, CRRC shall offer to Times Electric the competing business first on the same terms and conditions, and the sale to an independent third party may only be effective after Times Electric refuses to purchase the competing business; (3) the decision of Times Electric to exercise the aforesaid call option and the pre-emptive right shall be made by the independent non-executive directors of Times Electric; (4) the exercise of the aforesaid call option and the pre-emptive right as well as other effective methods to resolve this competition matter will be subject to the applicable regulatory and disclosure requirements and shareholders' approval at the general meeting in the places of listing of CRRC and Times Electric respectively; and (5) the non-competition undertaking will be effective from the date of issuance of this letter of undertaking to the time when Times Electric is de-listed or CRRC ceases to be an indirect controlling shareholder of Times Electric.	Undertakings dated 5 August 2015, term is from the date of issuance of this letter of undertaking to the time when Times Electric is de-listed or CRRC ceases to be an indirect controlling shareholder of Times Electric	No	Yes	–	–

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Resolution of same industry competitions	CRRCG	Non-competition undertaking with CRRC: CNRG issued the Letter of Undertaking of Non-competition with CRRC Corporation Limited(《關於避免與中國中車股份有限公司同業競爭的承諾函》) on 5 August 2015 in order to avoid competition between CNRG (has completed restructuring and renamed as CRRCG) and CRRC after completion of merger of CNRG with CSRG. Pursuant to the Letter of Undertaking: (1) CRRCG undertook that CRRCG itself will not engage, and will, through legal procedures, procure its wholly owned and non-wholly owned subsidiaries to not engage in any businesses which might directly compete with the current operating businesses of CRRC; (2) subject to the aforesaid undertaking (1), if CRRCG (including its wholly owned subsidiaries and non-wholly owned subsidiaries or other related entities) provide any products or services that might be in competition with the principal products or services of CRRC in the future, CRRCG will agree to grant CRRC pre-emptive right to acquire the assets or its entire equity interests in such subsidiaries related to such products or services from CRRCG; (3) subject to the aforesaid undertaking (1), CRRCG may develop advanced and lucrative projects in the future which fall within the business scope of CRRC, but it should preferentially transfer any achievement on such projects to CRRC for its own operation on equal terms of transfer; and (4) CRRCG should compensate CRRC for its actual losses arising from any failure to comply with the aforesaid undertakings.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	–	–

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Others	CRRCG	Undertaking to maintain the independence of CRRC: CNRG issued the Letter of Undertaking to Maintain the Independence of CRRC Corporation Limited(《關於保持中國中車股份有限公司獨立性的承諾函》) on 5 August 2015 in order to ensure that CNRG (has completed restructuring and renamed as CRRCG) will not interfere with the independence of CRRC after completion of the merger of CNRG with CSRG. Pursuant to the Letter of Undertaking: CRRCG undertook to be separate from CRRC in respect of areas such as assets, personnel, finance, organization and business and will, in strict compliance with the relevant requirements on the independence of a listed company imposed by the CSRC, not to use its position as the controlling shareholder to violate the standardized operation procedures of a listed company to intervene in the operating decisions of CRRC and to damage the legitimate interests of CRRC and other shareholders. CRRCG and other companies under its control undertook not to, by any means, use the funds of CRRC and companies under its control.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	–	–

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Resolution of related-party transactions	CRRCG	Undertaking for regulating related-party transactions with CRRC: in order to regulate related-party transaction entered into between CNRG (which have completed the restructuring and renamed as CRRCG) and CRRC after the merger between CNRG and CSRG, CNRG issued the Letter of Undertaking to Regulate the Related-party Transactions with CRRC Corporation Limited (《關於規範與中國中車股份有限公司關聯交易的承諾函》) on 5 August 2015, pursuant to which CRRCG and other companies controlled by CRRCG will endeavor not to enter into or reduce the related-party transactions with CRRC and other companies in which it holds a controlling interest. For related-party transactions that are inevitable or reasonable, CRRCG will continue to perform the obligations under the related-party transaction framework agreements entered into between CRRCG and CRRC, and will comply with the approval procedures and information disclosure obligations in accordance with the relevant laws and regulations as well as the provisions under the Articles of Association of CRRC. Prices of the related-party transactions will be determined based on prices of the same or comparable transactions conducted with other independent third parties.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	–	–

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
Undertakings in relation to the initial public issuance	Others	CRRCG	Undertakings on property ownership issues: CSR (has completed restructuring and renamed as CRRC) disclosed in its prospectus that CSR has not yet obtained proper property ownership certificates for 326 properties with a total gross floor area of 282,019.03 square meters, representing 7.85% of the total gross floor area of the property in use of CSR. As of 31 December 2020, there are still 6 properties with a total gross floor area of 8,583.10 square meters failed to apply for property ownership certificates due to historical reasons. As for the property which CSR has not yet obtained property ownership certificates, CSRG has made written undertaking which was inherited by CRRCG after the merger. Pursuant to the undertaking: for properties that could not obtain complete property ownership certificates due to reasons such as incomplete procedures in planning and constructions and, which were included in the asset injection to CRRC by CRRCG, CRRCG undertook that such properties satisfy the usage requirements necessary for the production and operations of CRRC. Moreover, if there is any loss incurred to CRRC due to such properties, CRRCG shall under take all compensation liabilities and all economic losses that CRRC incurred.	Undertakings dated 18 August 2008, during the course of performance	No	Yes	–	–
	Others	CRRCG	Undertakings on the state-owned land use certificate without specifying the land use terms or termination date: CNR (the relevant matters were inherited by CRRC after the merger) disclosed in the prospectus that the land use terms or termination date were not specified in the state-owned land use certificate for part of the authorized lands acquired by CNR. As such, CNRG (has completed restructuring and renamed as CRRCG) has made a written undertaking. Pursuant to the undertaking: CRRCG will compensate the relevant wholly-owned subsidiaries of CRRC for the loss caused as a result of the state-owned land use certificate not specifying the land use terms or termination date for the authorized land.	Undertakings dated 10 December 2009, during the course of performance	No	Yes	–	–

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
Undertakings in relation to the refinancing	Others	Directors, Senior Management of the Company	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: the Directors and Senior Management of the Company have made the following undertakings on 27 May 2016: (1) not to transfer interests to other entities or individuals without consideration or with unfair consideration nor otherwise damage the Company's interests in any other ways; (2) to constrain expenses relating to the performance of their duties; (3) not to use the Company's assets for investments and consumption activities unrelated to the performance of their duties; (4) that the remuneration system formulated by the Board or the Remuneration and Evaluation Committee is in line with implementation of the remedial measures for the returns by the Company; (5) that the vesting conditions of share incentives to be formulated by the Company will be in line with the implementation of the remedial measures for returns by the Company if the Company were to make such share incentive plans in the future; (6) to perform the remedial measures for returns formulated by the Company as well as any commitment made by them for such remedial measures. The Directors and Senior Management will be liable for indemnifying the Company or the investors for their losses in the event of failure to perform the commitment.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	–	–
	Others	CRRCG	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: on 27 May 2016, CRRCG committed not to intervene in the operation and management activities of the Company or unlawfully infringe upon the Company's interests.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	–	–

II. BANKRUPTCY AND REORGANIZATION

The Company was not involved in any matters related to bankruptcy and reorganization during the reporting period.

III. MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during the reporting period.

IV. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

(I) Trusteeship, contracting and leasing matters

During the reporting period, the Company had no related trusteeship, contracting or leasing.

(II) Material guarantees performed and not yet completed during the reporting period

Unit: ’000 Currency: RMB

Guarantor	Relationship between the guarantor and the listed company	Guaranteed	Guaranteed amount	Date of guarantee (Date of signing agreement)	Commencement date	Maturity date	Guarantee type	Whether the guarantee has been fulfilled	Whether the guarantee is overdue or not	Outstanding amount of guarantee overdue	Counter guarantee	Whether the guarantee is provided to a related-party or not	Related relationship
Guarantees provided by the Company to external parties (excluding guarantees provided by the Company in favour of its subsidiaries)													
CRRC Corporation Limited, Suzhou CRRC Construction Engineering Co., Ltd. (蘇州中車建設工程有限公司), a wholly-owned subsidiary of the Company, and CRRC China Merchants (Tianjin) Equity Investment Fund Management Co., Ltd.* (中車招銀(天津)股權投資基金管理有限公司), a non wholly-owned subsidiary of the Company	CRRC Corporation Limited, its whollyowned subsidiary and non wholly-owned subsidiary	Wuhu Yunda Rail Transport Construction and Operation Limited (蕪湖市運達軌道交通建設運營有限公司)	3,295,932	27 April 2017	20 June 2017	20 June 2047	Joint and several liability guarantee	No	No	-	No	No	-
Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)													-
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)													3,295,932
Guarantees provided by the Company and its subsidiaries in favour of its subsidiaries													
Total guarantee amount provided to the Company’s subsidiaries during the reporting period													4,419,165
Total guarantee balance provided to the Company’s subsidiaries at the end of the reporting period (B)													46,995,439
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries													
Total guarantee amount (A+B)													50,291,371
Percentage of total guarantee amount to net assets of the Company (%)													35.45
In which:													
Provision of guarantee to shareholders, ultimate controller and their respective related persons (C)													-
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% (D)													20,317,321
The total amount of guarantees provided which exceeds 50% of the net asset (E)													-
Total amount of the three above-stated guarantees (C+D+E)													20,317,321
Explanation on guarantees undue that might be involved in any joint and several liability													/
Explanation on guarantees						Percentage of total guarantee amount to net assets of the Company=Total guarantee amount/equity attributable to owners of the Company. As of 30 June 2021, total guarantee balance was RMB50.291 billion, representing 35.45% of the Company’s net assets. Out of such guarantee balance, RMB23.412 billion and RMB23.583 billion were provided to the Company’s wholly-owned subsidiaries and non-wholly-owned subsidiaries respectively. Guarantee balance of RMB3.296 billion was provided to Wuhu Yunda Rail Transport Construction and Operation Limited. As far as guarantee type is concerned, RMB1.572 billion was provided for bank acceptance bills, RMB4.715 billion was provided for loans and medium-term notes, and RMB44.004 billion was provided for letters of guarantee, letters of credit and credit facilities, etc. During the reporting period, the Company did not provide any guarantees in favour of its controlling shareholders, ultimate controller and their related parties. As of the end of the reporting period, the Company provided guarantee in favour of its wholly-owned subsidiaries and non-wholly-owned subsidiaries with gearing ratio over 70%. Approval procedures have been complied with at the Board meetings and the general meetings as required by the Articles of Associations.							

(III) Other material contracts

As of the date of this report, the Company signed a number of sales contracts. For details, please refer to announcements dated 4 January 2021, 31 March 2021 and 28 June 2021 published by the Company on the websites of the SSE and the Stock Exchange.

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. Changes in shares

During the reporting period, there were no changes in the total number of shares and share capital structure of the Company.

2. Public float

During the reporting period, the public float of the Company satisfied the requirement under Rule 8.08 of the Hong Kong Listing Rules.

3. Purchase, sale or redemption of securities of the Company

During the reporting period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the securities of the Company under the Hong Kong Listing Rules.

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of holders of ordinary shares as of the end of the reporting period (shareholder) Note	763,885

Note: As at the end of the reporting period, the Company had 761,197 holders of A shares and 2,688 registered holders of H shares.

(II) Shareholdings of the top ten shareholders and the top ten holders of tradable shares (or holders of shares not subject to trading moratorium) as of the end of the reporting period

Unit: share

Shareholdings of the top ten shareholders							
					Shares pledged, marked or frozen		
Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged, marked or frozen	Number	Nature of shareholder
CRRCG Note 1	0	14,558,389,450	50.73	–	Nil	–	State-owned legal person
HKSCC NOMINEES LIMITED Note 2	–159,292	4,358,857,054	15.19	–	Unknown	–	Overseas legal person
China Securities Finance Corporation Limited	–253,294,689	605,663,637	2.11	–	Unknown	–	State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	304,502,100	1.06	–	Unknown	–	State-owned legal person
Shanghai Xinghan Asset – Industrial Bank – China Industrial International Trust Limited (上海興瀚資產－興業銀行－興業國際信託有限公司)	0	235,017,626	0.82	–	Unknown	–	State-owned legal person
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan (博時基金－農業銀行－博時中證金融資產管理計劃)	0	234,982,900	0.82	–	Unknown	–	Unknown
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan (易方達基金－農業銀行－易方達中證金融資產管理計劃)	0	234,982,900	0.82	–	Unknown	–	Unknown
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan (大成基金－農業銀行－大成中證金融資產管理計劃)	0	234,982,900	0.82	–	Unknown	–	Unknown
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan (嘉實基金－農業銀行－嘉實中證金融資產管理計劃)	0	234,982,900	0.82	–	Unknown	–	Unknown
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金－農業銀行－廣發中證金融資產管理計劃)	0	234,982,900	0.82	–	Unknown	–	Unknown
Zhong Ou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan (中歐基金－農業銀行－中歐中證金融資產管理計劃)	0	234,982,900	0.82	–	Unknown	–	Unknown
ChinaAMC – Agricultural Bank of China – ChinaAMC China Securities and Financial Assets Management Plan (華夏基金－農業銀行－華夏中證金融資產管理計劃)	0	234,982,900	0.82	–	Unknown	–	Unknown
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan (銀華基金－農業銀行－銀華中證金融資產管理計劃)	0	234,982,900	0.82	–	Unknown	–	Unknown
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan (南方基金－農業銀行－南方中證金融資產管理計劃)	0	234,982,900	0.82	–	Unknown	–	Unknown
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金－農業銀行－工銀瑞信中證金融資產管理計劃)	0	234,982,900	0.82	–	Unknown	–	Unknown

Name of shareholder	Shareholdings of the top ten holders of shares not subject to trading moratorium Number of tradable shares held not subject to trading moratorium	Class and number of shares Class	Number
CRRCG Note 1	14,558,389,450	Ordinary shares denominated in RMB	14,558,389,450
HKSCC NOMINEES LIMITED Note 2	4,358,857,054	Overseas listed foreign shares	4,358,857,054
China Securities Finance Corporation Limited	605,663,637	Ordinary shares denominated in RMB	605,663,637
Central Huijin Asset Management Ltd.(中央匯金資產管理有限責任公司)	304,502,100	Ordinary shares denominated in RMB	304,502,100
Shanghai Xinghan Asset – Industrial Bank – China Industrial International Trust Limited (上海興瀚資產－興業銀行－興業國際信託有限公司)	235,017,626	Ordinary shares denominated in RMB	235,017,626
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan (博時基金－農業銀行－博時中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan (易方達基金－農業銀行－易方達中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan (大成基金－農業銀行－大成中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan (嘉實基金－農業銀行－嘉實中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金－農業銀行－廣發中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Zhong Ou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan (中歐基金－農業銀行－中歐中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
ChinaAMC – Agricultural Bank of China – ChinaAMC China Securities and Financial Assets Management Plan (華夏基金－農業銀行－華夏中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan (銀華基金－農業銀行－銀華中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan(南方基金－農業銀行－南方中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金－農業銀行－工銀瑞信中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900

Note 1: Within 12 months since 10 November 2020, CRRCG will increase its shareholding of H shares of the Company via the Shanghai-Hong Kong Stock Connect trading system when appropriate. For details, please refer to the "Voluntary Announcement in relation to Increase of Shareholding by the Controlling Shareholder" of the Company dated 10 November 2020. As of the end of the reporting period, the increased shareholding of 177,863,000 H shares by CRRCG were registered under the name of HKSCC NOMINEES LIMITED. As of the end of the reporting period, CRRCG in aggregate held 14,736,252,450 shares (including 14,558,389,450 A shares and 177,863,000 H shares), representing approximately 51.35% of the total number of issued shares of the Company.

Note 2: H shares held by HKSCC NOMINEES LIMITED are held on behalf of its various clients.

(III) Substantial shareholders' interests and short positions in the Company

As at 30 June 2021, the persons set out in the table below had an interest or short position in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity	H shares or A share	Nature of interest	Number of H shares or A shares interested in	Percentage of H shares or A shares interested in of the total issued H shares or total issued A shares (%)	Percentage of total share capital of the Company (%)
CRRCG	Beneficial owner	A shares	Long position	14,558,389,450	59.84	50.73
	Beneficial owner	H shares	Long position	177,863,000	4.07	0.62

Save as disclosed above, as far as the Directors of the Company are aware, as at 30 June 2021, no other person had interests and/or short positions in the shares or underlying shares (as the case may be) of the Company which were, pursuant to section 336 of Part XV of the SFO, required to be recorded in the register referred to therein, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

(IV) Strategic investors or ordinary legal persons who became top ten shareholders resulting from the placing of new shares

During the reporting period, no strategic investor or ordinary legal person became top ten shareholders resulting from the placing of new shares.

III. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in shareholding by current and resigned Directors, Supervisors and Senior Management during the reporting period

During the reporting period, there was no change in the shareholding of current and resigned Directors, Supervisors and Senior Management of the Company.

(II) Share incentives granted to Directors, Supervisors and Senior Management during the reporting period

During the reporting period, the Company did not grant any share incentives to any of its Directors, Supervisors and Senior Management.

(III) Shareholding interests of Directors, Supervisors and chief executive

As at 30 June 2021, the following Director had interests in the A shares of the Company, relevant details of which are set out as follows:

Name	Position	Nature of Interest	Class of shares	Number of shares
Sun Yongcai	Chairman, President, Executive Director	Beneficial owner	A shares	111,650

Save as disclosed above, as at 30 June 2021, none of the Directors, Supervisors and chief executive of the Company had interests and short positions in any shares or underlying shares of the Company or associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be maintained under section 352 of the SFO, or were required to be notified to the Company and the Stock Exchange by the Directors and Supervisors pursuant to the Model Code.

IV. CHANGES IN CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER

During the reporting period, there were no changes in the controlling shareholder or de facto controller.

I. ENTERPRISE BONDS, CORPORATE BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

(I) Corporate Bonds

Unit: '000 Currency: RMB

Name of Bond	Short Name	Bond Code	Date of Issuance	Interest Accrual Date	Maturity Date	Bond Balance	Interest Rate (%)	Methods of Principal and Interest Repayment	Trading venues	Arrangement (if any) to Ensure the Suitability of Investors	Trading Mechanism	Risk of Termination of Listing and Trading
2013 Ten-year Corporate Bond of CSR Corporation Limited (First Tranche)	13 CSR 02	122252.SH	2013-04-22	2013-04-22	2023-04-22	1,500,000	5.00	Th interest shall be paid annually, and the principal amount shall be repaid in a lump-sum payment	Shanghai Stock Exchange	A public issuance to eligible investors	Competitive bidding, quotations, enquiries and agreed transactions	No
2016 Corporate Bond of CRRC Corporation Limited (First Tranche)	16 CRRC 01	136671.SH	2016-08-26	2016-08-30	2021-08-30	589,720	3.40	Th interest shall be paid annually, and the principal amount shall be repaid in a lump-sum payment	Shanghai Stock Exchange	A public issuance to eligible investors	Competitive bidding, quotations, enquiries and agreed transactions	No
2020 Publicly Issued Corporate Bond of CRRC Corporation Limited (First Tranche)	20 CRRC 01	163335.SH	2020-03-27	2020-04-01	2023-04-01	1,000,000	2.95	Th interest shall be paid annually, and the principal amount shall be repaid in a lump-sum payment	Shanghai Stock Exchange	A public issuance to eligible investors	Competitive bidding, quotations, enquiries and agreed transactions	No

(II) Debt Financing Instruments of Non-financial Enterprises in the Inter-bank Bond Market

Unit: '000 Currency: RMB

Name of Bond	Short Name	Bond Code	Date of Issuance	Interest Accrual Date	Maturity Date	Bond Balance	Interest Rate (%)	Methods of Principal and Interest Repayment	Trading venues	Arrangement (if any) to Ensure the Suitability of Investors	Trading Mechanism	Risk of Termination of Listing and Trading
CRRC Corporation Limited's Phase XIII Super short-term financing bills in 2021	21 CRRC SCP013	012102368.IB	2021-06-28	2021-06-29	2021-08-31	1,000,000	2.26	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XII Super short-term financing bills in 2021	21 CRRC SCP012	012102352.IB	2021-06-25	2021-06-28	2021-09-29	3,000,000	2.35	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XI Super short-term financing bills in 2021	21 CRRC SCP011	012101997.IB	2021-05-27	2021-05-28	2021-08-26	3,000,000	2.2	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase VIII Super short-term financing bills in 2021	21 CRRC SCP008	012101606.IB	2021-04-21	2021-04-22	2021-07-21	3,000,000	2.33	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase III Asset-supported senior commercial note in 2021	21 Peer No. 1ABN003 Senior	082100265.IB	2021-04-02	2021-04-08	2021-07-07	2,667,690	2.6	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase VI Super short-term financing bills in 2021	21 CRRC SCP006	012101244.IB	2021-03-25	2021-03-26	2021-07-06	3,000,000	2.47	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No

Name of Bond	Short Name	Bond Code	Date of Issuance	Interest Accrual Date	Maturity Date	Bond Balance	Interest Rate (%)	Methods of Principal and Interest Repayment	Trading venues	Arrangement (if any) to Ensure the Suitability of Investors	Trading Mechanism	Risk of Termination of Listing and Trading
CRRC Corporation Limited's Peer No. 1 Phase II Asset-supported subordinated commercial note in 2021	21 Peer No. 1 ABN002 Subordinated	082100129.IB	2021-03-02	2021-03-05	2023-12-21	510	/	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase I Asset-supported subordinated commercial note in 2021	21 Peer No. 1 ABN001 Subordinated	082100036.IB	2021-01-14	2021-01-20	2023-12-21	4,500	/	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase I Asset-supported subordinated commercial note in 2021	20 Peer No. 1 ABN001 Subordinated	082001051.IB	2020-12-18	2020-12-21	2023-12-21	153,000	/	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XIV Super short-term financing bills in 2021	21 CRRC SCP014	012102428.IB	2021-07-02	2021-07-05	2021-10-09	3,000,000	2.29	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase IV Asset-supported senior commercial note in 2021	21 Peer No.1 ABN004 Senior	082100621.IB	2021-07-02	2021-07-07	2021-10-27	2,917,190	2.40	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XV Super short-term financing bills in 2021	21 CRRC SCP015	012102560.IB	2021-07-14	2021-07-15	2021-08-18	3,000,000	2.05	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XVI Super short-term financing bills in 2021	21 CRRC SCP016	012102662.IB	2021-07-21	2021-07-22	2021-09-23	4,000,000	2.10	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No

(3) Key Accounting Data and Financial Indicators

Unit: '000 Currency: RMB

Major indicator	At the end of the reporting period	At the end of the previous year	Change between the end of the reporting period and the end of the previous year (%)
Current ratio	1.21	1.27	-4.72
Quick ratio	0.90	0.96	-6.25
Gearing ratio (%)	61.40	56.89	Increased by 4.51 ppt
Loan repayment rate (%)	100	100	/

	The reporting period (January to June)	Same period of the previous year	Change between the reporting period and the same period of the previous year (%)
EBITDA interest coverage multiple	20.36	23.51	-13.40
Interest paid coverage (%)	105.28	109.11	Decreased by 3.83 ppt

The EBITDA reconciliation is calculated as follows.

	The reporting period (January to June)
Profit for the year	5,907,368
Interest expenses	503,304
Depreciation of fixed assets	3,079,458
Amortisation of intangible assets	468,081
Depreciation of right-of-use assets	225,666
Depreciation of investment properties	25,401
Long-term amortisation of amortisation charges	36,146
EBITDA	10,245,424

II. INFORMATION ON THE H SHARE CONVERTIBLE CORPORATE BONDS

On 5 February 2016, the Company issued H Share convertible bonds in an aggregate principal amount of US$600,000,000 (the "Convertible Bonds" or "Bonds"), which were due on 5 February 2021. The Convertible Bonds have a par value of US$250,000 each and are issued at 100% of its par value with zero coupon. The initial conversion price of the Convertible Bonds is HK$9.65 per H Share, and the adjusted conversion price is HK$8.77 per H Share as of 5 February 2021. Proceeds from the issuance of the Bonds were used to satisfy the production and international operation needs of the Company, including but not limited to adjusting its debt structure, increasing the capital contribution to its subsidiaries, replenishing working capital and project investments etc., which may be utilized at the sole discretion of the Company both inside and outside of the PRC according to actual circumstances.

On 5 February 2019, as required by the bondholders, the Company redeemed the Convertible Bonds with an aggregate principal amount of US$240,000,000 pursuant to the terms and conditions of the Convertible Bonds. Upon the completion of abovementioned redemption, the H Share Convertible Bonds of an aggregate principal amount of US$360,000,000 remained outstanding, representing 60% of the total principal amount of the Bonds originally issued. On 5 February 2021, the Convertible Bonds were due, and no principal amount of the Convertible Bonds have been converted into H Shares of the Company. Pursuant to the terms and conditions of the Convertible Bonds, the Company redeemed all outstanding Convertible Bonds with an aggregate principal amount of US$360,000,000 on 5 February 2021. Upon the completion of the abovementioned redemption, the Company does not have any outstanding Convertible Bonds, and the Company's Convertible Bonds have been cancelled and delisted from the Stock Exchange.

For details of the Convertible Bonds, please refer to the relevant announcements dated 26 January 2016, 5 February 2016, 7 March 2016, 27 June 2016, 29 June 2017, 25 August 2017, 12 June 2018, 8 February 2019, 8 July 2019 and 30 June 2020 published by the Company on the websites of SSE and the Stock Exchange.

The accompanying financial statements are English translations of the financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the balance sheet and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note V	30 June 2021	31 December 2020
Net current assets			
Cash and bank balances	1	35,495,050	33,492,359
Held-for-trading financial assets	2	8,871,048	5,799,390
Bills receivable	3	11,478,414	12,779,393
Accounts receivable	4	96,215,630	71,969,626
Receivables at fair value through other comprehensive income	5	7,843,640	8,164,214
Prepayments	6	8,797,866	8,481,942
Other receivables	7	3,922,593	4,711,395
Financial assets purchased under resale agreements		120,000	–
Inventories	8	74,819,646	62,966,123
Contract assets	9	20,867,912	18,885,381
Assets classified as held for sale		16,000	9,877
Non-current assets due within one year	10	17,488,552	17,124,785
Other current assets	11	3,996,708	5,342,740
Total current assets		289,933,059	249,727,225
Non-current assets			
Debt investments	13	2,515,396	1,169,010
Long-term receivables	14	12,676,360	13,248,792
Long-term equity investments	15	17,156,650	16,119,503
Investments in other equity instruments	16	2,618,364	2,662,850
Other non-current financial assets	17	572,847	578,293
Investment properties	18	1,035,009	1,065,399
Fixed assets	19	57,458,530	57,970,551
Construction in progress	20	8,227,739	8,675,163
Right-of-use assets	21	1,407,698	1,449,416
Intangible assets	22	15,997,103	16,024,380
Development expenditures	23	468,050	444,024
Goodwill	24	326,110	328,749
Long-term deferred expenses		227,088	225,532
Deferred tax assets	25	3,764,103	3,631,981
Other non-current assets	26	22,935,523	19,059,500
Total non-current assets		147,386,570	142,653,143
TOTAL ASSETS		437,319,629	392,380,368

ITEM	Note V	30 June 2021	31 December 2020
Current liabilities			
Short-term borrowings	27	17,553,307	11,782,170
Borrowings from the central bank		869,581	–
Placements from banks and other financial institutions		1,000,111	–
Bills payable	28	21,469,680	22,291,992
Accounts payable	29	128,152,207	106,572,210
Receipts in advance	30	131,789	212,951
Contract liabilities	31	27,301,240	27,841,813
Deposits from banks and other financial institutions	32	2,647,733	4,122,366
Employee benefits payable	33	2,299,444	1,972,045
Taxes payable	34	1,631,349	2,318,069
Other payables	35	15,204,769	9,950,181
Non-current liabilities due within one year	36	5,613,794	7,569,139
Other current liabilities	37	15,836,873	2,859,975
Total current liabilities		239,711,877	197,492,911
Non-current liabilities			
Long-term borrowings	38	7,320,793	4,202,602
Bonds payable	39	2,500,000	2,500,000
Lease liabilities	40	1,260,172	1,292,313
Long-term payables	41	21,377	64,758
Long-term employee benefits payable	42	3,397,405	3,480,229
Provisions	43	7,479,820	7,205,296
Deferred income	44	6,588,476	6,751,075
Deferred tax liabilities	25	156,625	163,231
Other non-current liabilities	45	85,919	86,389
Total non-current liabilities		28,810,587	25,745,893
TOTAL LIABILITIES		268,522,464	223,238,804
Shareholders' equity			
Share capital	46	28,698,864	28,698,864
Capital reserve	47	41,125,463	40,957,401
Other comprehensive income	48	(1,457,811)	(1,292,910)
Special reserve	49	49,957	49,957
Surplus reserve	50	4,308,789	4,308,789
General risk reserve		562,411	562,411
Retained earnings	51	68,573,820	69,736,835
Total equity attributable to shareholders of the Company		141,861,493	143,021,347
Non-controlling interests		26,935,672	26,120,217
TOTAL SHAREHOLDERS' EQUITY		168,797,165	169,141,564
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		437,319,629	392,380,368

Legal representative: **Sun Yongcai** *Chief Accountant:* **Li Zheng** *Person in Charge of the Accounting Department:* **Wang Jian**

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note XIV	30 June 2021	31 December 2020
Current assets			
Cash and bank balances	1	10,080,431	965,176
Accounts receivable		23,264	51,844
Other receivables	2	17,330,130	18,878,404
Non-current assets due within one year		846,631	614,200
Other current assets		13,615	91
Total current assets		28,294,071	20,509,715
Non-current assets			
Long-term receivables		8,694,369	5,733,313
Long-term equity investments	3	105,854,974	105,409,452
Investments in other equity instruments		125,000	75,000
Fixed assets		15,823	14,110
Construction in progress		96,138	96,824
Right-of-use assets		27,139	33,406
Intangible assets		89,485	93,021
Other non-current assets		309,150	132,280
Total non-current assets		115,212,078	111,587,406
TOTAL ASSETS		143,506,149	132,097,121
Current liabilities			
Short-term borrowings		1,521,659	3,137,689
Accounts payable		52,296	52,969
Contract liabilities		–	11,180
Employee benefits payable		31,734	66,197
Taxes payable		204	1,651
Other payables		23,678,958	19,833,100
Non-current liabilities due within one year		640,345	3,021,602
Other current liabilities		13,040,321	–
Total current liabilities		38,965,517	26,124,388
Non-current liabilities			
Long-term borrowings		4,002,778	1,451,108
Bonds payable		2,500,000	2,500,000
Lease liabilities		25,075	27,181
Long-term payables		–	240
Long-term employee benefits payable		185	180
Total non-current liabilities		6,528,038	3,978,709
TOTAL LIABILITIES		45,493,555	30,103,097
Shareholders' equity			
Share capital		28,698,864	28,698,864
Capital reserve		62,808,910	62,808,801
Other comprehensive income		(34,483)	(36,654)
Surplus reserve		4,308,789	4,308,789
Retained earnings		2,230,514	6,214,224
TOTAL SHAREHOLDERS' EQUITY		98,012,594	101,994,024
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		143,506,149	132,097,121

Legal representative: **Sun Yongcai** *Chief Accountant:* **Li Zheng** *Person in Charge of the Accounting Department:* **Wang Jian**

CONSOLIDATED INCOME STATEMENT

FROM JANUARY TO JUNE 2021

RMB'000

ITEM	Note V	From January to June 2021	From January to June 2020
I. Operating income	52	95,464,015	89,403,326
II. Total operating costs		90,705,020	84,095,324
Including: Operating costs	52	75,391,745	70,373,477
Taxes and surcharges	53	684,782	636,292
Selling expenses	54	3,267,581	2,796,099
Administrative expenses	55	5,943,254	5,380,319
Research and development expenses	56	5,086,763	4,422,787
Financial expenses	57	330,895	486,350
Including: Interest expenses		503,304	404,137
Interest income		374,334	498,283
Add: Other income	58	616,241	574,181
Investment income	59	140,016	171,330
Including: Gains from investments in associates and joint ventures		(46,767)	109,904
Loss arising from derecognition of financial assets measured at amortised cost		(66,690)	(74,182)
Gains from changes in fair value	60	76,505	62,271
Impairment losses under expected credit loss model	61	(322,617)	(493,257)
Assets impairment losses	62	(124,988)	(255,863)
Gains on disposal of assets	63	502,935	19,195
III. Operating profit		5,647,087	5,385,859
Add: Non-operating income	64	685,129	520,269
Less: Non-operating expenses	65	424,848	354,568
IV. Total profit		5,907,368	5,551,560
Less: Income tax expenses	66	1,049,003	1,057,184
V. Net profit		4,858,365	4,494,376
(I) Net profit classified by operating continuity			
1. Net profit from continuing operations		4,858,365	4,494,376
(II) Net profit classified by ownership			
1. Net profit attributable to shareholders of the Company		3,988,656	3,692,655
2. Net profit attributable to non-controlling interests		869,709	801,721

ITEM	Note V	From January to June 2021	From January to June 2020
VI. Other comprehensive income, net of tax	48	(206,460)	71,687
(I) Other comprehensive income attributable to shareholders of the Company, net of income tax		(164,901)	52,357
1. Items that will not be reclassified to profit or loss		(44,944)	58,651
(1) Remeasurement of the changes in net liabilities or net assets of defined benefit plan		(5,050)	(1,939)
(2) Changes in fair value of investments in other equity instruments		(39,894)	60,590
2. Items that may be reclassified to profit or loss		(119,957)	(6,294)
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		8,344	3,533
(2) Changes in fair value of other debt investments		(1,432)	91,405
(3) Provision for credit impairments of other debt investments		(3,706)	64
(4) Translation differences arising from translation of foreign currency financial statements		(123,163)	(101,296)
(II) Other comprehensive income attributable to non-controlling interests, net of income tax		(41,559)	19,330
VII. Total comprehensive income		4,651,905	4,566,063
(I) Total comprehensive income attributable to shareholders of the Company		3,823,755	3,745,012
(II) Total comprehensive income attributable to minority interests		828,150	821,051
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/per share)		0.14	0.13
(II) Diluted earnings per share (RMB/per share)		0.14	0.13

Legal representative:	*Chief Accountant:*	*Person in Charge of the Accounting Department:*
Sun Yongcai	**Li Zheng**	**Wang Jian**

THE COMPANY'S INCOME STATEMENT

FROM JANUARY TO JUNE 2021

RMB'000

ITEM	Note XIV	From January to June 2021	From January to June 2020
I. Operating income		2,611	16,714
Less: Operating costs		2,023	7,053
Taxes and surcharges		1,997	2,013
Selling expenses		3,664	8
Administrative expenses		85,398	92,470
Research and development expenses		201,066	12,708
Financial expenses		(40,752)	(112,926)
Including: Interest expenses		401,891	406,519
Interest income		468,579	513,252
Add: Other income		858	–
Investment income ("-" for losses)	4	1,422,906	1,274,753
Including: Gains from investments in associates and joint ventures ("-" for losses)		64,325	73,176
Gains from changes in fair value		–	5,419
Gains on disposal of assets		4	–
Impairment losses under expected credit loss model ("-" for losses)		4,460	(1,805)
II. Operating profit ("-" for losses)		1,177,443	1,293,755
Add: Non-operating income		4,656	2,066
Less: Non-operating expenses		13	–
III. Total profit ("-" for losses)		1,182,086	1,295,821
Less: Income tax expenses		–	–
IV. Net profit ("-" for losses)		1,182,086	1,295,821
(I) Net profit from continuing operations ("-" for losses)		1,182,086	1,295,821
V. Other comprehensive income, net of tax		2,171	(6,026)
(I) Items that may be reclassified to profit or loss		2,171	(6,026)
1. Other comprehensive income that may be reclassified to profit or loss under equity method		2,171	(6,026)
VI. Total comprehensive income for the year		1,184,257	1,289,795

Legal representative: **Sun Yongcai** *Chief Accountant:* **Li Zheng** *Person in Charge of the Accounting Department:* **Wang Jian**

RMB'000

ITEM	Note V	From January to June 2021	From January to June 2020
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		74,726,029	98,314,340
Net increase in placements with banks and other financial institutions		1,000,111	–
Net decrease in placements with banks and other financial institutions		–	139,524
Receipts of tax refunds		516,072	537,603
Other cash receipts relating to operating activities	67	1,869,183	2,465,896
Sub-total of cash inflows from operating activities		78,111,395	101,457,363
Cash payments for goods purchased and services received		65,741,504	92,667,431
Net decrease in deposits from banks and other financial institutions		1,474,633	2,783,910
Cash payments to and on behalf of employees		13,326,923	11,806,931
Payment of various taxes		3,815,755	3,965,393
Other cash payments relating to operating activities	67	5,323,921	5,019,116
Sub-total of cash outflows from operating activities		89,682,736	116,242,781
Net cash flow from operating activities	68	(11,571,341)	(14,785,418)
II. Cash flows from investing activities:			
Cash receipts from recovery of investments		20,951,305	23,833,364
Cash receipts from investment income		389,838	262,120
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		128,889	251,888
Sub-total of cash inflows from investing activities		21,470,032	24,347,372
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,389,798	2,774,360
Cash payments to acquire investments		36,345,247	38,672,965
Sub-total of cash outflows from investing activities		38,735,045	41,447,325
Net cash flow from investing activities		(17,265,013)	(17,099,953)
III. Cash flows from financing activities:			
Cash receipts from capital contributions		621,917	36,707
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		621,917	36,707
Cash receipts from borrowings		26,878,478	16,210,235
Cash receipts from bonds issuing		30,000,000	26,500,000
Cash receipts from other financing activities		1,140,500	–
Sub-total of cash inflows from financing activities		58,640,895	42,746,942
Cash repayments of borrowings		36,960,056	20,459,991
Cash payments for distribution of dividends or profits or settlement of interest expenses		858,418	268,013
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		386,308	89,464
Other cash payments relating to financing activities		262,851	76,590
Sub-total of cash outflows from financing activities		38,081,325	20,804,594
Net cash flow from financing activities		20,559,570	21,942,348
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(96,250)	(282,351)
V. Net decrease in cash and cash equivalents	68	(8,373,034)	(10,225,374)
Add: Opening balance of cash and cash equivalents	68	29,840,378	35,819,586
VI. Closing balance of cash and cash equivalents	68	21,467,344	25,594,212

Legal representative: **Sun Yongcai**　　*Chief Accountant:* **Li Zheng**　　*Person in Charge of the Accounting Department:* **Wang Jian**

THE COMPANY'S CASH FLOW STATEMENT

FROM JANUARY TO JUNE 2021

RMB'000

ITEM	Note XIV	From January to June 2021	From January to June 2020
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		33,202	134,699
Receipts of tax refunds		1,406	15,793
Other cash receipts relating to operating activities		9,736,515	3,062,908
Sub-total of cash inflows from operating activities		9,771,123	3,213,400
Cash payments for goods purchased and services received		665	146,869
Cash payments to and on behalf of employees		83,122	83,100
Payment of various taxes		15,526	7,530
Other cash payments relating to operating activities		8,703,703	2,412,875
Sub-total of cash outflows from operating activities		8,803,016	2,650,374
Net cash flow from operating activities	5	968,107	563,026
II. Cash flows from investing activities:			
Cash receipts from recovery of investments		11,214,589	8,303,400
Cash receipts from investment income		2,915,145	2,544,309
Sub-total of cash inflows from investing activities		14,129,734	10,847,709
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		10,132	12,939
Cash payments to acquire investments		23,118,217	24,284,910
Sub-total of cash outflows from investing activities		23,128,349	24,297,849
Net cash flow from investing activities		(8,998,615)	(13,450,140)
III. Cash flows from financing activities:			
Cash receipts from borrowings		23,920,000	32,976,590
Cash receipts from bonds issuing		30,000,000	25,000,000
Other cash receipts relating to financing activities		39,635,554	12,100,000
Sub-total of cash inflows from financing activities		93,555,554	70,076,590
Cash repayments of borrowings		40,718,964	40,559,077
Cash payments for distribution of dividends or profits or settlement of interest expenses		337,180	190,952
Other cash payments relating to financing activities		43,273,348	23,779,086
Sub-total of cash outflows from financing activities		84,329,492	64,529,115
Net cash flow from financing activities		9,226,062	5,547,475
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(29,382)	980
V. Net increase in cash and cash equivalents	5	1,166,172	(7,338,659)
Add: Opening balance of cash and cash equivalents	5	463,875	11,369,799
VI. Closing balance of cash and cash equivalents	5	1,630,047	4,031,140

Legal representative: **Sun Yongcai**   *Chief Accountant:* **Li Zheng**   *Person in Charge of the Accounting Department:* **Wang Jian**

RMB'000

ITEM	From January to June 2021 Equity attributable to owners of the Company									
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Sub-total	Non-controlling interests	Total
I. Closing balance of the previous year	28,698,864	40,957,401	(1,292,910)	49,957	4,308,789	562,411	69,736,835	143,021,347	26,120,217	169,141,564
II. Opening balance of the current year	28,698,864	40,957,401	(1,292,910)	49,957	4,308,789	562,411	69,736,835	143,021,347	26,120,217	169,141,564
III. Changes in equity during the period	-	168,062	(164,901)	-	-	-	(1,163,015)	(1,159,854)	815,455	(344,399)
(I) Total comprehensive income	-	-	(164,901)	-	-	-	3,988,656	3,823,755	828,150	4,651,905
(II) Owners' contributions	-	168,062	-	-	-	-	-	168,062	340,037	508,099
1. Capital contribution from owners	-	161,443	-	-	-	-	-	161,443	324,575	486,018
2. Others	-	6,619	-	-	-	-	-	6,619	15,462	22,081
(III) Profit distribution	-	-	-	-	-	-	(5,165,796)	(5,165,796)	(352,732)	(5,518,528)
1. Distributions to owners (or shareholders)	-	-	-	-	-	-	(5,165,796)	(5,165,796)	(352,732)	(5,518,528)
(IV) Special reserve	-	-	-	-	-	-	-	-	-	-
1. Appropriation of special reserve	-	-	-	124,633	-	-	-	124,633	26,373	151,006
2. Amount utilised in the period	-	-	-	(124,633)	-	-	-	(124,633)	(26,373)	(151,006)
(V) Others	-	-	-	-	-	-	14,125	14,125	-	14,125
IV. Closing balance of the current period	28,698,864	41,125,463	(1,457,811)	49,957	4,308,789	562,411	68,573,820	141,861,493	26,935,672	168,797,165

ITEM	From January to June 2020									
	Equity attributable to owners of the Company									
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Sub-total	Non-controlling interests	Total
I. Closing balance of the previous year	28,698,864	40,747,823	(1,084,770)	49,957	3,815,330	551,265	63,115,162	135,893,631	22,934,851	158,828,482
II. Opening balance of the current year	28,698,864	40,747,823	(1,084,770)	49,957	3,815,330	551,265	63,115,162	135,893,631	22,934,851	158,828,482
III. Changes in equity during the period	–	22,080	(55,791)	–	–	–	(504,027)	(537,738)	469,624	(68,114)
(I) Total comprehensive income	–	–	52,357	–	–	–	3,692,655	3,745,012	821,051	4,566,063
(II) Owners' contributions and reduction in capital	–	22,080	–	–	–	–	–	22,080	(48,172)	(26,092)
1. Capital contribution from shareholders	–	–	–	–	–	–	–	–	27,771	27,771
2. Others	–	22,080	–	–	–	–	–	22,080	(75,943)	(53,863)
(III) Profit distribution	–	–	–	–	–	–	(4,304,830)	(4,304,830)	(303,255)	(4,608,085)
1. Distributions to owners (or shareholders)	–	–	–	–	–	–	(4,304,830)	(4,304,830)	(303,255)	(4,608,085)
(IV) Transfers within owners' equity	–	–	(108,148)	–	–	–	108,148	–	–	–
1. Other comprehensive income carried forward to retained earnings	–	–	(108,148)	–	–	–	108,148	–	–	–
(V) Special reserve	–	–	–	–	–	–	–	–	–	–
1. Appropriation of special reserve	–	–	–	140,252	–	–	–	140,252	36,467	176,719
2. Amount utilised in the period	–	–	–	(140,252)	–	–	–	(140,252)	(36,467)	(176,719)
(VI) Others	–	–	–	–	–	–	–	–	–	–
IV. Closing balance of the current period	28,698,864	40,769,903	(1,140,561)	49,957	3,815,330	551,265	62,611,135	135,355,893	23,404,475	158,760,368

Legal representative: **Sun Yongcai**

Chief Accountant: **Li Zheng**

Person in Charge of the Accounting Department: **Wang Jian**

THE COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY

FROM JANUARY TO JUNE 2021

RMB'000

ITEM	From January to June 2021					
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
I. Closing balance of the previous year	28,698,864	62,808,801	(36,654)	4,308,789	6,214,224	101,994,024
II. Opening balance of the current year	28,698,864	62,808,801	(36,654)	4,308,789	6,214,224	101,994,024
III. Changes in equity during the period	–	109	2,171	–	(3,983,710)	(3,981,430)
(I) Total comprehensive income	–	–	2,171	–	1,182,086	1,184,257
(II) Owners' contributions and reduction in capital	–	109	–	–	–	109
1. Capital contribution from owners	–	–	–	–	–	–
2. Others	–	109	–	–	–	109
(III) Profit distribution	–	–	–	–	(5,165,796)	(5,165,796)
1. Appropriation for surplus reserve	–	–	–	–	–	–
2. Distributions to owners (or shareholders)	–	–	–	–	(5,165,796)	(5,165,796)
IV. Closing balance of the current period	28,698,864	62,808,910	(34,483)	4,308,789	2,230,514	98,012,594

ITEM	From January to June 2020					
	Paid-in capital (or share capital)	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
I. Closing balance of the previous year	28,698,864	62,803,844	(10,037)	3,815,330	6,077,921	101,385,922
II. Opening balance of the current year	28,698,864	62,803,844	(10,037)	3,815,330	6,077,921	101,385,922
III. Changes in equity during the period	–	4,291	(6,026)	–	(3,009,009)	(3,010,744)
(I) Total comprehensive income	–	–	(6,026)	–	1,295,821	1,289,795
(II) Owners' contributions and reduction in capital	–	4,291	–	–	–	4,291
1. Others	–	4,291	–	–	–	4,291
(III) Profit distribution	–	–	–	–	(4,304,830)	(4,304,830)
1. Distributions to owners (or shareholders)	–	–	–	–	(4,304,830)	(4,304,830)
IV. Closing balance of the current period	28,698,864	62,808,135	(16,063)	3,815,330	3,068,912	98,375,178

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in Charge of the Accounting Department:
Wang Jian

I. BASIC INFORMATION ABOUT THE COMPANY

1. General information

CSR Corporation Limited ("CSR") was incorporated in the PRC on 28 December 2007 as a joint stock company with limited liability under the Company Law of the PRC. CSR's A shares were listed on the Shanghai Stock Exchange (the "SSE") on 18 August 2008 and CSR's H shares were listed on the main board of The Stock Exchange of Hong Kong Limited on 21 August 2008. CSR non-public issued A-share ordinary shares in 2012, and the ordinary shares increased to 13,803,000,000 shares after the non-public issuing.

China CNR Corporation Limited ("CNR") was incorporated in the PRC on 26 June 2008 as a joint stock company with limited liability under the Company Law of the PRC. CNR made an initial public offering of A shares which were listed on the SSE on 29 December 2009. H shares of CNR were listed on the Main Board of the HKSE on 22 May 2014. As at 31 December 2014, CNR has issued total shares of 12,259,780,303.

CSR and CNR published a joint announcement on 30 December 2014, announcing that the two companies entered into a merger agreement with respect to a merger proposal ("2015 Business Combination"). CSR and CNR would merge by CSR issuing, on the basis of a single exchange ratio, CSR A shares and CSR H shares to holders of CNR A shares and CNR H shares respectively in exchange for all of the issued shares of CNR. The exchange proportion was 1:1.10, meaning that each CNR A share should be exchanged for 1.10 CSR A shares to be issued by CSR and that each CNR H share should be exchanged for 1.10 CSR H shares to be issued by CSR. As all of the conditions of the above agreement as specified in the merger agreement had been satisfied, the merger agreement became effective on 28 May 2015. CSR issued 2,347,066,040 H shares and 11,138,692,293 A shares on 26 May 2015 and 28 May 2015 respectively. CNR A shares were deregistered from the SSE and CNR H shares were deregistered from the Main Board of HKSE. After the completion of the merger, CSR assumed all the assets, liabilities and business of CNR and CNR was deregistered according to law. On 1 June 2015, the name of CSR was changed from "CSR Corporation Limited" to "CRRC Corporation Limited" ("CRRC" or the "Company").

On 5 August 2015, the respective holding companies of the Company, namely CSR Group (formerly China South Locomotive and Rolling Stock Industry (Group) Corporation) and China Northern Locomotive & Rolling Stock Industry (Group) Corporation ("CNR Group") concluded the Merger Agreement by which CNR Group merged CSR Group with the latter deregistered and then was renamed to CRRC Group (later renamed to CRRC Group Co., Ltd., "CRRCG"). All assets, liabilities, business, employees, contracts, qualifications and other rights and obligations of CSR Group shall be inherited by CRRCG after the merger.

As proposed and approved in the Company's 2015 annual general meeting of shareholders as well as approved by the China Securities Regulatory Commission ("CSRC") on Reply on the Approval of Non-public Issuance of Stocks by CRRC Corporation Limited (Zheng Jian Xu Ke [2016] No. 3203), the Company completed the non-public offering 1,410,105,755 A shares with par value RMB1.00 each to specific investors in January 2017. The number of share capital has increased to 28,698,864,088, and CRRC Group remains the controlling shareholder of the Company.

The address of the Company's registered office is No.16 Central West Fourth Ring Road, Haidian District, Beijing, the PRC.

The Company and its subsidiaries (collectively the "Group") are principally engaged in the research and development, design, manufacture, refurbishment and service of locomotives (including multiple units), metro cars, engineering machinery, mechanical and electric equipment, electronic equipment and related components products, electronic appliances and environmental protection equipment, as well as sales, technical services and equipment leasing of related products; information consultation; industrial investment of the above business; assets management; imports and exports.

I. BASIC INFORMATION ABOUT THE COMPANY *(continued)*

2. Scope of consolidated financial statements

Company name	Principal place of business	Registered place	Type of legal entity	Legal representative	Business scope/ Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding proportion (%)	Voting proportion (%)
CRRC Changchun Railway Vehicles Co. Ltd. ("CRRC Changchun")	China	Changchun	company limited by shares	Wang Run	Manufacturing	91220000735902224D	5,807,947	93.54	93.54
CRRC Zhuzhou Institute Co., Ltd. ("CRRC Zhuzhou Institute")	China	Zhuzhou	limited liability company	Li Donglin	Manufacturing	914302004451752 5X1	8,446,840	100.00	100.00
CRRC Zhuzhou Locomotive Co., Ltd. ("CRRC Zhuzhou Locomotive")	China	Zhuzhou	limited liability company	Zhou Qinghe	Manufacturing	914302007790310965	5,455,090	100.00	100.00
CRRC Qingdao Sifang Co., Ltd. ("CRRC Qingdao Sifang")	China	Qingdao	company limited by shares	Tian Xuehua	Manufacturing	91370200740365750X	4,322,565	97.81	97.81
CRRC Tangshan Co., Ltd. ("CRRC Tangshan")	China	Tangshan	limited liability company	Zhou Junnian	Manufacturing	911302216636887669	3,990,000	100.00	100.00
CRRC Dalian Co., Ltd. ("CRRC Dalian")	China	Dalian	limited liability company	Lin Cunzeng	Manufacturing	91210200241283929E	4,328,530	100.00	100.00
CRRC Qiqihar Group Co., Ltd. ("CRRC Qiqihar Group ")	China	Qiqihar	limited liability company	Gu Chunyang	Manufacturing	91230200057435769W	7,000,000	100.00	100.00
CRRC Yangtze River Transportation Equipment Group Co., Ltd. ("CRRC Yangtze River Group")	China	Wuhan	limited liability company	Hu Haiping	Manufacturing	91420115MA4KYAEH3B	5,674,458	100.00	100.00
CRRC Investment & Leasing Co., Ltd. ("CRRC Investment & Leasing ")	China	Beijing	limited liability company	Yang Ruixin	Trading and financing lease	911100007109247853	2,909,285	100.00	100.00
CRRC Qishuyan Co., Ltd. ("CRRC Qishuyan")	China	Changzhou	limited liability company	Xu Shibao	Manufacturing	913204006638182170	2,298,020	100.00	100.00
CRRC Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd. ("CRRC Qishuyan Institute")	China	Changzhou	limited liability company	Wang Wenhu	Manufacturing	91320400137168058A	2,079,200	100.00	100.00
CRRC Capital Management Co., Ltd. ("CRRC Capital Management")	China	Beijing	limited liability company	Lu Jianzhou	Finance	91110108MA00314Q4L	2,500,000	100.00	100.00
CRRC Nanjing Puzhen Co., Ltd. ("CRRC Nanjing Puzhen")	China	Nanjing	limited liability company	Li Dingnan	Manufacturing	91320191663764650N	4,255,630	100.00	100.00
CRRC Hong Kong Capital Management Co., Ltd. ("CRRC Hong Kong Capital Management")	China	Hong Kong	limited liability company	Li Jin	Investment and capital operation	Not applicable	3,503,568	100.00	100.00
CRRC Construction Engineering Co., Ltd. ("CRRC Construction Engineering")	China	Beijing	limited liability company	Wang Hongwei	Housing industry	91110106590663663T	1,500,000	50.00	50.00
CRRC Yongji Electric Co., Ltd. ("CRRC Yongji Electric")	China	Yongji	limited liability company	Xiao Anhua	Manufacturing	91140881664458751J	1,290,000	100.00	100.00
CRRC Sifang Institute Co., Ltd. ("CRRC Sifang Institute")	China	Qingdao	limited liability company	Kong Jun	Manufacturing	91370200264582788W	1,703,960	100.00	100.00
CRRC Finance Co., Ltd. ("CRRC Finance")	China	Beijing	limited liability company	Dong Xuzhang	Finance	911100000573064301	2,200,000	91.36	91.36

I. BASIC INFORMATION ABOUT THE COMPANY *(continued)*

2. Scope of consolidated financial statements *(continued)*

Company name	Principal place of business	Registered place	Type of legal entity	Legal representative	Business scope/ Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding proportion (%)	Voting proportion (%)
CRRC Zhuzhou Electric Co., Ltd. ("CRRC Zhuzhou Electric")	China	Zhuzhou	limited liability company	Zhou Junjun	Manufacturing	9143020076071871X7	1,342,200	100.00	100.00
CRRC Ziyang Co., Ltd. ("CRRC Ziyang")	China	Ziyang	limited liability company	Chen Zhixin	Manufacturing	91512000786693055N	2,028,889	99.60	99.60
CRRC Beijing Nankou Co., Ltd. ("CRRC Beijing Nankou")	China	Beijing	limited liability company	Sun Kai	Manufacturing	9111000064625580F	805,000	100.00	100.00
CRRC Datong Electric Locomotive Co., Ltd. (CRRC Datong")	China	Datong	limited liability company	Huang Qichao	Manufacturing	91140200602161186E	656,000	100.00	100.00
CRRC Dalian Institute Co., Ltd. ("CRRC Dalian Institute")	China	Dalian	limited liability company	Jiang Dong	Manufacturing	91210200243024402A	350,000	100.00	100.00
CRRC Sifang Co., Ltd. ("CRRC Sifang")	China	Qingdao	limited liability company	Lan Yuzhen	Manufacturing	9137020016357624X1	343,095	100.00	100.00
CRRC Logistics Co., Ltd. ("CRRC Logistics")	China	Beijing	limited liability company	Liu Zhenqing	Logistics and trade	91110108737682982M	760,000	100.00	100.00
CRRC Industrial Institute Co., Ltd. ("CRRC Industrial Institute")	China	Beijing	limited liability company	Gong Ming	Research and development	911101063066897448	228,000	100.00	100.00
CRRC International Co., Ltd. ("CRRC International")	China	Beijing	limited liability company	Luo Chongfu	Trading	911101067109217367	700,000	100.00	100.00
Beijing CNR CR Transportation Equipment Co., Ltd. ("Beijing CNR CR Transportation Equipment")	China	Beijing	limited liability company	Zhang Yan	Manufacturing	91110106684367734P	20,000	51.00	51.00
CRRC Information Technology Co., Ltd. ("CRRC Information Technology ")	China	Beijing	limited liability company	Tang Xiankang	Software development	91110108700035941C	80,000	100.00	100.00
CRRC SA (PTY) LTD	South Africa	South Africa	limited liability company	Han Xiaobo	Manufacturing	Not applicable	ZAR 1,000	66.00	66.00
CRRC Financial Leasing Co., Ltd. ("CRRC Financial Leasing")	China	Tianjin	limited liability company	Xu Weifeng	Financial services	91120118MA06J91H6K	3,000,000	81.00	81.00
Zhuzhou CRRC Times Electric Co., Ltd. (Times Electric") (Note 1)	China	Zhuzhou	company limited by shares	Li Donglin	Manufacturing	914300007808508659	1,175,477	53.19	53.19
Zhuzhou Times New Material Technology Co., Ltd. (Times New Material") (Note 2)	China	Zhuzhou	company limited by shares	Yang Jun	Manufacturing	91430200712106524U	802,798	39.55	51.02

Note 1: Times Electric is a subsidiary of CRRC Zhuzhou Institute. In 2018, CRRC Hong Kong Capital Management, a subsidiary of the Company, purchased 4,066,800 shares of Times electric on the open market. As at 31 December 2018, the Group's shareholding in Times Electric was 52.38%. In 2019, CRRC Hong Kong Capital Management purchased 9,526,400 shares of Times Electric in the open market. As at 30 June 2021, the Group's shareholding ratio in Times Electric is 53.19%.

Note 2: Times New Material is a subsidiary of CRRC Zhuzhou Institute. The equity interests of Times New Material held by the Group was 39.55%. Since CRRCG held 11.47% equity interest of Times new material and has authorised the Company to exercise its voting rights, the voting rights of Times New Material held by the Group became 51.02%.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of Preparation

The financial statements have been prepared on the going concern basis.

The Group has adopted the Accounting Standards for Business Enterprises and relative regulations ("ASBE") issued by the Ministry of Finance (the "MOF").

According to Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong and other relevant Security Listing Rules Amendments issued by the Hong Kong Stock Exchange (Hong Kong Listing Rules) in December 2010, also referring to the relevant provisions issued by the MoF and the China Securities Regulatory Commission ("CSRC"), and approved by the 10th meeting of the second board of directors of the Company and the General Meeting of the Company, from the fiscal year of 2019, the Company no longer provides the financial statements prepared in accordance with the ASBE and the International Financial Reporting Standards (the "IFRS") separately to stockholders of A shares and H shares. Instead, the Company provides the financial statements prepared in accordance with the ASBE to all stockholders, taking the relevant disclosure standards of Hong Kong Companies Ordinance and Hong Kong Listing Rules into consideration.

The financial data in this report is prepared based on ASBE.

In addition, the Company also discloses relevant financial information in accordance with Information Disclosure and Preparation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (revised by CSRC in 2014).

2. Going concern

The Group evaluated the going concern capability for the next twelve months from 30 June 2021 and found no matters or circumstances that could raise serious doubts about the going concern capability. These financial statements have been prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

SPECIFIC ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the ASBE

These financial statements are in compliance with the ASBE to truly and completely reflect consolidated and the Company's financial position as at 30 June 2021, and consolidated and the Company's operating results and cash flows for the period ended 30 June 2021.

2. Accounting period

The Company has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

3. Business cycle

Business cycle refers to the period since purchasing assets for production till the realisation of cash or cash equivalents. The Group's business cycle is 12 months in general.

4. Reporting currency

The functional currency of the Company is RMB and is adopted to prepare the financial statements. Except for particular explanations, all items are presented in RMB'000. The functional currency of the Company's subsidiaries, joint ventures and associates is selected based on economic environment where they operate.

5. Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement. When assets are impaired, impairment provisions for assets are recognised in accordance with relevant requirements.

The historical cost of an asset when it is acquired or created is the value of the costs incurred in acquiring or creating the asset, comprising the fair value of consideration paid to acquire or create the asset. The historical cost of a liability when it is incurred or taken on is the value of the consideration received to incur or take on the liability, or the contractual amount for taken current obligations, or the amount of cash and cash equivalents expected to be paid to settle the liabilities in normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than inputs within Level 1, that are observable for the asset or liability;

Level 3 inputs are unobservable inputs for the asset or liability.

6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations includes business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control *(continued)*

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

(1) Business combinations involving entities under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, on the combination date, the party that, obtains control of another entity in the combination is the acquirer, while the other entity is the acquiree. The combination date is the date on which the acquirer obtains control of the acquiree.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate par value of the shares issued as consideration) is adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

(2) Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the business combination.

The cost of combination is the fair values of the assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquiree’s identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination not involving enterprises under common control shall be measured at fair value at the date of acquisition.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control *(continued)*

(2) Business combinations not involving enterprises under common control and goodwill *(continued)*

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

The goodwill arising on a business combination should be separately disclosed in the consolidated financial statement and measured by the amount of costs deducted by the accumulative provision for impairment.

7. Basis for preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is achieved when the company has power over the investee; is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. A subsidiary is an enterprise that is controlled by the Company. The financial positions, operating results, and cash flow of subsidiaries are included in consolidated financial statement from acquisition date to termination date of control.

For subsidiaries acquired through a business combination involving enterprises under common control, they will be fully consolidated into consolidated financial statements from the date on which subsidiary was ultimately under common control by the same party or parties. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows appropriately.

For a subsidiary acquired through a business combination not involving enterprises under common control, the acquired subsidiaries are consolidated in consolidated financial statement on the basis of fair value of identifiable assets and liabilities recognised on the date of acquisition.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity, profits or losses and comprehensive income that is attribute to their non-controlling shareholders is separately presented under "shareholders' equity" in the consolidated balance sheet, and "net profit" and "total comprehensive income" in the consolidated income statement.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is still allocated against non-controlling interests.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

7. Basis for preparation of consolidated financial statements *(continued)*

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost, and offset goodwill simultaneously. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

8. Classification of joint arrangements and accounting methods for joint management

The joint arrangement includes joint operations and joint ventures. The classification is determined by considering the structure, legal form and contract terms of the arrangement according to the rights and obligations of the joint party in the joint arrangement. Joint operation refers to whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint venture arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Group's joint arrangements are joint ventures, which are accounted for using the equity method, and are set out in Note III, 14.

9. Recognition criteria of cash and cash equivalent

Cash equivalents are the Company's short-term (it generally expires within three months from the date of purchase), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

10. Translation of transactions and financial statements denominated in foreign currencies

For foreign currency transactions, the Group translate the amount of foreign currency into RMB.

Foreign currency transactions are initially recorded using the functional currency spot exchange rate at the date of the transactions. At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rate at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (i) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (ii) exchange differences arising from changes in the carrying amounts (other than the amortised cost) of monetary items measured at fair value through other comprehensive income are recognised as other comprehensive income.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

10. Translation of transactions and financial statements denominated in foreign currencies *(continued)*

Foreign currency non-monetary items measured at historical cost are translated into the amounts in functional currencies at the spot exchange rates at the transaction dates. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income.

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: all the assets and liability items in the balance sheet are translated using the spot exchange rates at the balance sheet date, shareholders' equity items except of "retained earnings" are translated at the spot exchange rates at the date on which such items arose; income and expense items in the income statement are translated at the average exchange rates during the period in which the transaction occurs. Translation differences of financial statements denominated in foreign currencies arising hereby are recognised as other comprehensive income. When a foreign operation is disposed of, other comprehensive income associated with such foreign operation is transferred to profit or loss for the period in which it is disposed of. In case of a disposal or other reason that leads to the reduction of the proportion of foreign operation interests held but does not result in the Group losing control of a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to non-controlling interests and are not recognised in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rate for the year during which the cash flows occur. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as effect of foreign exchange rate changes on cash and cash equivalents.

11. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts. When the Group recognises the accounts receivable excluding significant financing components or does not consider the financing components in the contracts within one year in accordance with the Accounting Standards for Business Enterprises No. 14 – Revenue ("Revenue Standards"), the initial recognition is measured at transaction price defined in Revenue Standards.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over each accounting period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability, or where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (i.e. pre-repayment, extension, call option or other similar options, etc.) without considering future impairment losses under expected credit loss model.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

The amortised cost of a financial asset or a financial liability is an accumulatively amortised amount arising from the initially recognised amount of the financial asset or the financial liability deducting repaid principals plus or less amortisation of balances between the initially recognised amount on initial recognition and the amount on maturity date using the effective interest method, and then deducting accumulated provisions for losses (only applicable to financial assets).

(1) Classification and measurement of financial assets

Subsequent to initial recognition, the Group's various financial assets are subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Group classify the financial asset into financial asset measured at amortised cost. Such financial assets include cash and bank balances, bills and accounts receivable, other receivables, placements with banks and other financial institutions, some non-current assets due within one year, loans and advances to customers, debt investments and long-term receivables.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, the Group classify the financial asset into the financial assets at fair value through other comprehensive income ("FVTOCI"). Accounts receivable and bills receivable that are classified at fair value through other comprehensive income at the time of acquisition are presented in the receivables at fair value through other comprehensive income; the remaining items are presented in other current assets if they are within one year (inclusive) at the time of acquisition.

Financial assets at fair value through profit and loss ("FVTPL") include financial assets classified at fair value through profit and loss and those designated as at fair value through profit or loss.

- Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are recognised into FVTPL.
- Upon initial recognition, to eliminate or significantly reduce accounting mismatches, the Group may irrevocably designate financial assets as measured at FVTPL.

Financial assets at fair value through profit and loss are presented under held-for-trading financial assets. Financial assets due over one year since the balance sheet date or without a fixed expiring date are presented under other non-current financial assets.

Upon initial recognition, the Group may irrevocably designate non-tradable equity instrument investment as financial assets measured at FVTOCI, except for contingent considerations recognised in the business combination not under the common control. Such type of financial assets shall be presented as investment in other equity instruments.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(1) Classification and measurement of financial assets *(continued)*

Financial assets meeting one of the following requirements indicate that the financial assets held by the Group are for trading:

- The purpose of obtaining relevant financial assets is mainly for sale or buy-back in the near future;
- Relevant financial assets are part of the identifiable financial instrument combination under centralised management upon initial recognition and there is objective evidence indicating that exists recently a short-term profit model.
- Relevant financial liabilities are derivatives, except for derivatives that meet the definition of a financial guarantee contract and that are designated as effective hedging instruments

(a) Financial assets measured at amortised cost

Financial assets are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognised in profit or loss.

For financial assets measured at amortised cost the Group recognises interest income using the effective interest method. The Group calculates and recognises interest income through book value of financial assets multiplying effective interest, except for the following circumstances:

- For the purchased or originated credit loss occurred financial assets, the Group calculates and recognises their interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
- For the purchased or originated financial assets without credit-impairment but subsequently incurred credit-impairment, the Group calculates and recognises their interest income based on amortised costs and effective interest rate of such financial assets. If the credit impairment risk is reduced during the subsequent periods and credit impairment does not exist and the improvement is relevant to an event incurred subsequent to the application of above provisions, the Group recognises interest income based on book value of financial assets multiplying effective interest rate.

(b) Categorised into FVTOCI

Impairment losses or gains related to financial assets categorised into FVTOCI, interest income measured using effective interest method and exchange gains or losses are recognised into profit or loss for the current period. Except for the above circumstances, changes in fair value of the financial assets are included in other comprehensive income. The amount includes in profit or loss of certain financial assets is equal to the amount that the financial assets is recognised at amortised cost over each period. When the financial asset is derecognised, the cumulative gains or losses previously recognised in other comprehensive income shall be removed from other comprehensive income and recognised in profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(1) Classification and measurement of financial assets *(continued)*

(c) Designated as FVTOCI

The Group designated non-tradable equity investments as FVTOCI, changes in fair value of certain financial assets should be recognised in other comprehensive income, when the financial assets are derecognised, the accumulative gains or losses previously recognised in other comprehensive income shall be removed from other comprehensive income and recognised in retained earnings. During the period that the Group holds these non-tradable equity instrument, the Group has established the right of collecting dividends, whose economic benefit is probably flow into the Group, and the amount of the dividends can be reliably measured, then the Group will recognise dividends in profit or loss.

(d) FVTPL

The Group subsequently measured financial assets at FVTPL at fair value, gains or losses arising from changes in the fair value and dividend and interest income related to these financial assets shall be recognised into profit or loss for the period.

(2) Impairment of financial assets and other items

The Group recognises impairment losses for expected credit losses on financial instruments measured at amortised cost, categorised into FVTOCI, lease receivables, contract assets, loan commitments and financial guarantee contracts.

The Group measures loss allowance for contract assets and receivables arising from transactions regulated by Revenue Standard, and lease receivables arising from transactions regulated by the Accounting Standards for Business Enterprises No. 21 – Leases based on the amount of lifetime ECL.

For other financial instruments, except for those impaired when purchased or originated, the Group re-evaluate changes in credit risk of relevant financial instruments since initial recognition at each balance sheet date. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument does not increase significantly since initial recognition, the Group recognises loss allowance based on 12-month expected credit loss of the financial instrument. Increase or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. Except for the financial assets classified as FVTOCI, financial guarantee contract and loan commitment, credit loss allowance offsets the carrying amount of financial assets. For the financial assets classified as FVTOCI, the Group recognises credit loss allowance in other comprehensive income, which does not decrease the carrying amount of such financial assets in the balance sheet.

The Group has measured loss allowance at the amount of lifetime ECL of the financial instruments in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Impairment of financial assets and other items *(continued)*

(a) Significant increases in credit risk

The Group will make use of reasonable and supportable forward-looking information that is available to determine whether credit risk has increased significantly since initial recognition through comparing the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. For financial guarantee contracts, when applying the provision of impairment of financial instruments, the Group shall take the date when it becomes the party making an irrevocable undertaking as the initial recognition date.

The Group will take the following factors into consideration when assessing whether credit risk has increased significantly.

- Significant changes in internal price indicators as a result of a change in credit risk.
- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the balance sheet date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage).
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life.
- An actual or expected significant change in the financial instrument's external credit rating.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations.
- An actual or expected significant change in the operating results of the debtor.
- Significant increases in credit risk on other financial instruments of the same debtor.
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor.
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.
- Significant changes in the expected performance and behaviour of the debtor.
- Changes in the Group's credit management approach related to the financial instrument.

At the balance sheet date, if the Group judges that the financial instruments solely are exposed to lower credit risk, the Group will assume that the credit risk of the financial instruments has not been significantly increased since initial recognition. If the risk of default on financial instruments is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong, and even if the economic situation and operating environment are adversely changed over a long period of time, it may not necessarily reduce the borrower's ability to fulfil its contractual cash flow obligations, the financial instrument is considered to have a lower credit risk.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Impairment of financial assets and other items *(continued)*

(b) Credit-impaired financial assets

When the Group expected occurrence of one or more events which may cause adverse impact on future cash flows of a financial asset, the financial asset will become a credit-impaired financial asset. Objective evidence that a financial asset is impaired includes the following observable events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase or origination of a financial asset with a large scale of discount, which reflects the facts of credit losses incurred.

(c) Determination of expected credit losses

Except that the Group recognises credit loss for financial assets, contract assets, lease receivables, loan commitment and financial guarantee contracts that are individually significant or credit impaired on an individual asset/contract basis, the Group recognises credit loss of relevant financial instruments on a collectively basis using a provision matrix. The Group classifies financial instruments into different groups based on common risk characteristics. Shared credit risk characteristics include type of financial instruments, credit risk rating, type of collateral, remaining contractual maturity, industry of debtors, geographical location of debtors and the value of collateral relative to financial assets, etc.

The Group determines expected credit losses of relevant financial instruments using the following methods:

- For a financial asset, credit loss is the present value of difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For a lease receivable, credit loss is the present value of difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For undrawn loan commitments, the credit loss is the present value of the difference between the contract cash flow to be received by the Group and the expected cash flow, under the condition that the loan commitment holder withdraws the corresponding loans. The Group's estimate of the expected credit loss on the loan commitment is consistent with the expected withdrawal of the loan commitment.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Impairment of financial assets and other items *(continued)*

(c) Determination of expected credit losses *(continued)*

- For a financial guarantee contract, credit loss is the present value of difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

- For credit-impaired financial assets other than the purchased or originated credit-impaired financial assets at the balance sheet date, credit loss is difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; reasonable and supportable information about past events, current conditions and forecasts on future economic status at the balance sheet date without unnecessary additional costs or efforts.

(d) Write-off of financial assets

The Group shall directly write down the carrying amount of a financial asset when the Group has no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, which constitutes derecognition of relevant financial assets.

(3) Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (i) the contractual rights to the cash flows from the financial asset expire; or (ii) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (iii) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, the Group will recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. Relevant liabilities are measured using the following methods:

- For transferred financial assets recognised at amortised cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement deducted amortised cost of the Group’s retained rights (if the Group retains relevant rights due to transfer of financial assets) with addition of amortised cost of obligations undertaken by the Group (if the Group undertakes relevant obligations upon transfer of financial assets). Relevant liabilities shall not be designated as financial liabilities at fair value through profit or loss.

- For transferred financial assets recognised at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement deducted fair value of the Group’s retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations undertaken by the Group (if the Group undertakes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(3) Transfer of financial assets *(continued)*

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, for financial asset categorised into those measured at amortised cost and FVTOCI, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss. For non-trading equity instruments designated as financial assets at FVTOCI, cumulative gains or losses previously recognised in other comprehensive income should be removed from other comprehensive income and be recognised in retained earnings.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the transferred financial asset is allocated between the part that is derecognised and the part that is continuously involved, based on the respective fair values of those parts on transfer date. The difference between (1) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income; and (2) the carrying amount allocated to the part derecognised on derecognition date; is recognised in profit or loss or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognise the transferred financial asset in its entirety. The consideration received should be recognised as a financial liability.

(4) Classification of liabilities and equity

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments on initial recognition.

(a) Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivative instruments classified as financial liabilities) and those designated as at FVTPL. Financial liabilities at FVTPL are presented as held-for-trading financial liabilities/other non-current liabilities based on its liquidity.

It is indicated that the Group's purpose of undertaking the financial liabilities is for trading if the financial liabilities meet one of the following conditions:

- The purpose for undertaking relevant financial liabilities is mainly for recent repurchase;
- The relevant financial liabilities are part of the centrally managed identifiable financial instrument portfolio at initial recognition, and there is objective evidence that there is a short-term profits presence in the near future;

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(4) Classification of liabilities and equity *(continued)*

(a) Classification and measurement of financial liabilities *(continued)*

(i) Financial liabilities at fair value through profit or loss (continued)

- Related financial liabilities are derivatives, except for derivatives that meet the definition of a financial guarantee contract and that are designated as effective hedging instruments.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses paid related to the financial liabilities are recognised in profit or loss.

(ii) Other financial liabilities

Other financial liabilities, except for financial guarantee contracts, are classified as financial liabilities measured at amortised cost, which is subsequently measured at amortised cost. Any gains or losses arising from derecognition or amortisation are recognised in profit or loss for the period.

If the Group amends or renegotiates a contract with the counterparty which does not result in derecognition of financial liabilities subsequently measured at amortised cost but results in changes in the contractual cash flow, the Group shall recalculate the carrying amount of the financial liabilities and account for the relevant profit or loss as current profit or loss. The Group determines the recalculated carrying amount of the financial liabilities based on the present value of the contractual cash flow to be renegotiated or modified according to the discounted original effective interest rate of financial liabilities. For all the costs or expenses arising from an amended or renegotiated contract, the Group shall adjust the book value of the financial liabilities and amortise them for the remaining life of the financial liabilities.

A financial guarantee contract is a contract by which the issuer is required to compensate specific amount to the contract holder who suffers from losses when the specific debtor cannot repay the debts in accordance with the initial or revised debt instrument terms upon maturity of debts. Financial guarantee contracts that are not designated as financial liabilities at FVTPL are measured at the higher of: (i) the loss provision after initial recognition, and (ii) balance of amount recognised initially deducting the accumulated amortisation amount determined on the basis of relevant revenue standards.

(b) Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing debtor) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(4) Classification of liabilities and equity *(continued)*

(c) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's issuance (including refinancing), repurchase, sales or cancellation of an equity instrument shall be accounted for as a change to equity. The Group does not recognise changes in the fair value of an equity instrument. Transaction costs of an equity transaction are accounted for as a deduction from equity.

The Group recognises the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

(5) Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value.

For hybrid contract constituted by embedded derivatives and host contract, if the host contract is a financial asset, the embedded derivative shall not be separated from the hybrid contract, and the hybrid contract shall be taken as a whole to apply to the accounting standards for the classification of financial assets.

If the host contract included in the hybrid contract is not a financial asset and satisfies all the following criteria, the embedded derivative shall be separated from the hybrid contract and treated as an individual derivative.

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- The individual instrument has the same terms as the embedded derivative conforms to the definition of a derivative.
- The hybrid instrument is not designated as a financial asset or financial liability at FVTPL.

If the embedded derivative is separated from the hybrid contract, the host contract shall be accounted for in accordance with the appropriate accounting standards.

Changes in fair value of derivative financial instruments are included in profit or loss for the period.

(6) Convertible Bonds

Convertible bonds issued by the Group that contain both debt and multiple embedded derivatives (including conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments, redemption options and repurchase options) are classified separately into respective items on initial recognition. Multiple embedded derivatives are generally treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other. At the date of issue, both the debt and the derivative components are recognised at fair value.

In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(6) Convertible Bonds *(continued)*

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component is charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

(7) Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

12. Inventories

Inventories include raw materials, work in progress, finished goods, commissioned processing materials and turnover materials, etc.

Inventories are initially measured at cost. Cost of inventories include purchase costs, processing cost and other costs. The actual costs of inventories are determined on specific identification, first-in, first-out, or weighted average methods depending on business types. Turnover materials include low cost and short-lived consumables, packaging materials, etc., which are amortised using either one-off amortisation method or multiple-stage amortisation method.

The perpetual inventory system is maintained for stock system.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the provision for the decline in value of inventories, and is recognised in profit or loss of the current period.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

For inventories that relate to a product series that is produced and marketed in the same geographical area, have the same or similar uses or purposes, and cannot be practicably evaluated separately from other items, provision for decline in value of inventories can be determined on an aggregate basis. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

13. Assets held for sale

(1) Assets held for sale

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the carrying amount through a sale (including an exchange of nonmonetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy both of the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

The Group measures the non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognised in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets are made. When there is increase in the net amount of fair value of assets classified as held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognised after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the period.

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortised, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognised.

(2) Discontinued operations

The Group classifies a separate component as a discontinued operation either upon disposal of the operation or when the operation meets the criteria to be classified as held for sale if it is separately identifiable and satisfies one of the following conditions:

– It represents a separate major line of business or a separate geographical area of operations;

– It is part of a single co-ordinated plan to dispose of a separate major line of business or a separate geographical area of operations;

– It is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued in the current period, profit or loss from continuing operations and profit or loss from discontinued operations are separately presented in the income statement for the current period. Profit or loss from continuing operation in the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

14. Long-term equity investments

(1) Judgment criteria for joint control and significant influence

Control is achieved when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

(2) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the share of the carrying amount of the shareholders' equity of the acquiree attributable to the ultimate controlling party at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a business combination not involving enterprises under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date. Except for long-term equity investment acquired through a business combination, other equity investment is initially measured at cost.

The expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services and other related administrative expenses attributable to the business combination are charged in profit or loss in the period in which they are incurred.

(3) Subsequent measurement and recognition of profit or loss

(a) Long-term equity investment measured under the cost method

The Company's financial statements measured the long-term equity investments of subsidiaries under the cost method. A subsidiary is the investee controlled by the Group.

Under the cost method, a long-term equity investment is initially recognised at cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

(b) Long-term equity investment measured under the equity method

The Group measured investments in associates and joint ventures under the equity method. An associate is an entity over which the Group has significant influence, and a joint venture is an entity over which the Group has joint control along with other investors.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

14. Long-term equity investments *(continued)*

(3) Subsequent measurement and recognition of profit or loss *(continued)*

(b) Long-term equity investment measured under the equity method *(continued)*

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to be confirmed with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures shall be eliminated when recognised investment income or loss to the extent that those attributable to the Group's equity interest. However, unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated if the trading assets do not form a business. Unrealised losses are resulted from the Group's transactions with its associates and joint ventures, the impairment losses on the transferred assets are not eliminated. Changes in other equity of the investee other than net profit or loss, other comprehensive income and profit distribution shall be included in capital reserve, with the carrying amount of long-term equity investment correspondingly adjusted.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently realised by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

(c) Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For long-term equity investment measured under the equity method, the portion of other comprehensive income recognised before the Group had controlled over the investee under equity method or the financial assets recognition and measurement standard should be treated referring to the same fundamental of disposing related assets and liabilities.

(d) Methods of impairment assessment approach and provision for impairment are set out in Note III, 20.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

15. Investment properties

The properties held by the Group for the purpose of earning rentals or for capital appreciation or for both purposes are categorised to investment property. The Group measures investment property under cost model, namely, investment properties are presented in balance sheet by cost deducting accumulated depreciation, amortisation and impairment loss. The investment properties are depreciated over its useful life by straight-line method after deducting estimated net residual value. The useful life, residual value rate and annual depreciation rate for various investment properties are as follows:

Item	Estimated useful life (years)	Residual value rate (%)	Depreciation rate (%)
Buildings	20-50	3-5	1.90-4.85
Land use rights	50	–	2.00

If the Group has conclusive evidence that the purpose for holding properties has changed and if one of the following conditions is met, the investment properties shall be converted into other assets, or other assets shall be converted into investment properties:

- The purpose for holding the property is changed to self-use;
- The self-use buildings or land use rights are stopped self-using, and changed to held for earning rentals or capital appreciation;
- Self-use buildings stopped self-using, and changed to for renting.

Under the cost model, the carrying amounts of the buildings remain unchanged before and after the purpose change.

Methods of impairment assessment and provision for impairment are set out in Note III 20.

16. Fixed assets

(1). Recognition criteria

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year.

The initial cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The initial cost of self-constructed assets is measured in accordance with the policy set out in Note III.17. Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset. Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when the fixed asset recognition criteria are met, and the carrying amount of the replaced part is derecognised. The initial costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred. Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

16. Fixed assets *(continued)*

(2). Depreciation method

Except for land use right owned by the Group, fixed asset is depreciated using the straight-line method. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation method	Depreciation period (year)	Residual value rate	Depreciation rate
Buildings	Straight-line method	10-50	3-5	1.90-9.70
Machinery and equipment	Straight-line method	6-28	3-5	3.39-16.17
Office equipment and other equipment	Straight-line method	5-12	3-5	7.92-19.40
Vehicles	Straight-line method	5-15	3-5	6.33-19.40

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period. The group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at the end of each fiscal year, and makes adjustments when necessary. The group does not make depreciation for overseas land ownership, which has no residual value.

(3). Methods of impairment assessment and provision for impairment are set out in Note III, 20.

17. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs.

Construction in progress is transferred to a fixed asset when it is ready for intended use.

Methods of impairment assessment and provision for impairment are set out in Note III, 20.

18. Borrowing costs

Borrowing costs are interests and other costs incurred by the Group in connection with the borrowing of funds. Borrowing costs include interests, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are assets that necessarily take a substantial period of time for construction or production to get ready for their intended use or sale.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

18. Borrowing costs *(continued)*

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- Expenditures for the asset have incurred;
- Borrowing costs are being incurred; and
- Activities relating to the construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.
- Where funds are borrowed under general-purpose borrowings, the amount of interest to be capitalised on such borrowings is calculated by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognised as an expense of the current period until the acquisition, construction or production is resumed.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs incurred subsequently are recognised as an expense in the period in which they are incurred.

19. Intangible assets

(1). Valuation method, useful life and impairment test

A purchased intangible asset is measured initially at cost. An intangible asset acquired in the combination not involving enterprises under common control shall be separately recognised as an intangible asset at its fair value on the acquisition date.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit period over which the asset is expected to generate economic benefits for the Group.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

19. Intangible assets *(continued)*

(1). Valuation method, useful life and impairment test *(continued)*

The useful lives of the intangible assets are as follows:

Item	Estimated useful life
Land use rights	50-70 years
Proprietary technology and technical know-how	3-10 years
Software use rights	2-10 years
Customer relationship	7-15 years
Backlogs and technical service preferential orders	The period for rendering of services agreed in contracts

Land use rights acquired by the Group are accounted for as intangible assets. For buildings such as plants that are developed and constructed by the Group, the relevant land use rights and buildings are accounted for as intangible assets and fixed assets respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if the payments cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and the amortisation method at least at the end of each fiscal year and makes adjustment if necessary.

An intangible asset with an indefinite useful life is not amortised and its useful life is reviewed in each accounting period. If there is an evidence indicating that the useful life of the intangible asset is finite, it is accounted for using the above accounting policies applicable to intangible assets with finite useful lives.

(2). Accounting policies for internal research and development expenditure

The Group classifies the expenditure on an internal research and development project into research expenditures and development expenditures.

Research expenditure is recognised as an expense in the period in which it is incurred.

Development expenditures which meet the criteria set out below shall capitalised, that is, it is technically feasible to complete the intangible asset so that it will be available for use or sale; the Group has the intention to complete the intangible asset and use or sell it; the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset need to be proved; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and the expenditure attributable to the intangible asset during its development phase can be reliably measured. Expenditure on the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognises all of them in profit or loss for the period.

Methods of impairment assessment and provision for impairment are set out in Note III, 20.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

20. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investment, fixed assets and construction in progress, investment properties measured under cost model, development expenditure, long-term prepayments and some other non-current assets under cost method, right-of-use assets and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on the basis of individual asset. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset is the higher of its fair value less disposal costs and the present value of the future cash flows expected to be derived from the asset.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Goodwill is tested for impairment at least at each year end. When conduct impairment test for goodwill, it should be considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the business combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once the above impairment loss is recognised, it cannot be reversed in any subsequent accounting periods.

21. Long-term deferred expenses

Long-term deferred expenses are expenses incurred that should be amortised over the current and subsequent periods (amortisation period of more than one year). Long-term deferred expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

22. Employee benefits

(1). Accounting for short-term employee benefits

During the accounting period in which the employees provide services, the Group's actual short-term remuneration is recognised as liabilities and included in the profits or losses of the current year or recognised as respective assets costs.

Regarding to the health insurance, industrial injury insurance, maternity insurance and other social insurances, housing fund and labour union expenditure and personnel education that the Group paid for employees, the Group should recognise corresponding employees benefits payable in accordance with predetermined basis and rates and include these expenses in the profits or losses of the current year or recognised as respective assets costs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

22. Employee benefits

(2). Accounting for retirement benefits

Retirement benefits are classified into defined contribution plans and defined benefit plans.

In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognised as a liability and charged to profit or loss in the period, or included in cost of related assets.

For defined benefit plans, the independent actuary makes actuarial estimation to determine cost of benefits offered and attributable period by using projected unit credit method as at balance sheet date. Defined benefit costs are categorised as follows:

(i) Service costs include current service cost, past service cost, as well as gains and losses on settlements. Current service cost refers to the increase amount of present value of defined benefit obligation arising from service rendered in current year; past service cost refers to the change of present value of defined benefit obligation arising from modification of defined benefit plans;

(ii) Net interest expense or income of net of liabilities or assets include interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling;

(iii) Changes arising from remeasurement of net liabilities or net assets of defined benefit plans (including actuarial gains and losses).

Unless benefits costs recognised in the cost of assets are required or permitted by other standards, the Group presents the above (i) and (ii) in profit or loss while (iii) in other comprehensive income, which will not be reversed to the profit or loss during the subsequent accounting periods.

The defined benefit plans provided by the Group are set out in Note V, 42.

(3). Accounting for termination benefits

When the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision shall be recognised for the compensation arising from termination of employment relationship with employees, with a corresponding charge to the profit or loss for the current year, at the earlier of when:

(i) The Group cannot unilaterally withdraw from the termination plan or the redundancy offer; or

(ii) The Group recognises costs relating to termination benefits payment in respect of restructuring.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

23. Provisions

Except for contingent consideration arised and contingent liabilities undertaken in business combinations, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied: (i) the obligation is a present obligation of the Group; (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and; (iii) the amount of the obligation can be measured reliably. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

Provisions are recognised when the Group has a present obligation related to a contingency such as warranty provisions/onerous contract/outstanding litigations, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into consideration of the factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

24. Revenue

(1). Accounting policy for the recognition and measurement of revenue from contracts with customers

The revenue of the Group is mainly generated from business types as follows:

(i) Revenue from selling of goods;

(ii) Revenue from rendering of services;

The Group shall recognise revenue when the Group satisfies a performance obligation in the Contract, namely, when the customer obtains control over relevant goods or services, which is based on the transaction price allocated to the performance obligation. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to receive due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following conditions is met: (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (ii) the customer is able to control goods in the progress during the Group's performance; (iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point of time when the customer obtains control over the relevant goods or services.

For performance obligations performed over time, the Group adopts input method to determine the appropriate progress of performance, that is, the progress of the performance is determined according to the Group's input for fulfilling its performance obligations. Where the progress cannot be determined reasonably, the revenue is recognised based on the amount of cost that is expected to be compensated based on the cost already incurred, until the progress of performance is reasonably determined.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

24. Revenue *(continued)*

(1). Accounting policy for the recognition and measurement of revenue from contracts with customers *(continued)*

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to single performance obligation according to relative proportion of the stand-alone selling prices of the goods or services promised by single performance obligation. However, where there is conclusive evidence that the contract discount or variable consideration is only related to one or more (not all) performance obligations in the contract, the Group shall allocate the contract discount or variable consideration to relevant one or more performance obligations. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximize the use of observable inputs and apply estimation methods consistently in similar circumstances.

If the contract includes consideration payable to a customer (for example, supplier nomination fee, etc.), the Group shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service, and recognised the reduction of revenue when (or as) the later of either of the following events occurs: 1) the Group recognises revenue for the transfer of the related goods or services to the customer; and 2) the Group pays or promises to pay the consideration.

For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the Accounting Standards for Business Enterprises No. 13 – Contingencies.

If the contract contains a significant financing component, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when "control" of the goods or services is obtained by the customer. The difference between the transaction price and the contract consideration shall be amortised within the contract period using effective interest rate. If the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group needs not to consider the significant financing component.

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it owns the "control" of the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and the revenue shall be recognised based on the total consideration received or receivable; otherwise, the Group is an agent, and the revenue shall be recognised based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or according to the established commission amount or proportion.

For a change in the scope or price of a contract that is approved by the parties to the contract, the Group accounts for the contract modification according to the following situations:

(i) The addition of promised goods or services are distinct and the price of the contract increases by an amount of consideration reflects stand-alone selling prices of the additional promised goods or services, the Group shall account for a contract modification as a separate contract.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

24. Revenue *(continued)*

(1). Accounting policy for the recognition and measurement of revenue from contracts with customers *(continued)*

(ii) If the above criteria are not met, and the remaining goods or services are distinct from the goods or services transferred on the date of the contract modification, the Group accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract.

(iii) If the above criteria are not met, and the remaining goods or services are not distinct from the goods or services transferred on the date of the contract modification, the Group accounts for the contract modification as if it were a part of the existing contract. The effect that the contract modification has on the revenue is recognised as an adjustment to revenue in the reporting period.

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognise the amounts as a liability and then transfer to revenue until satisfying performance obligations.

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to contract asset are specified in Note III, 11. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Contract assets and contract liabilities under the same contract are presented at net amount.

Except for the income arising from contracts with customers, income of the Group includes interest income and lease income from daily operating activities. Relevant accounting policies are detailed in Note III, 11 and 28.

25. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

(i) the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract

(ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

25. Contract costs *(continued)*

(iii) the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the "assets related to contract costs") are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

(i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less

(ii) the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

26. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

(1) Judgement basis and accounting treatments for government grants related to assets

If the government grant is a compensation for constructing or forming long-term assets, the government grant is recognised as government grants related to assets.

A government grant related to an asset is recognised as deferred income and included in profit or loss over the useful life of the related asset. Where the relevant asset is sold, transferred, scrapped or damaged prior to the end of its useful life, the related undistributed deferred income is transferred to the profit or loss of the disposal period.

(2) Judgement basis and accounting treatments for government grants related to income

Government grants other than government grants related to assets are government grants related to income.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income and recognised in profit or loss over the periods in which the related costs or losses are recognised; If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period. The Group classifies government grants that are difficult to be distinguished as government grants related to income aggregately.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

26. Government grants *(continued)*

(2) Judgement basis and accounting treatments for government grants related to income *(continued)*

A government grant related to the Group's daily activities is recognised in other income based on the substance of economic activities; a government grant not related to the Group's daily activities is recognised in non-operating income and expenses.

Discount interest on preferential loans obtained by the Group is directly allocated to the Group, with the corresponding interest discounts offsetting related borrowing costs.

27. Deferred tax assets/Deferred tax liabilities

The income tax expenses include current income tax and deferred tax. Except for that (1) goodwill arising from the business combination or (2) the current income tax and deferred income tax related to transactions or events recognised in other comprehensive income or shareholders' equity are included in other comprehensive income or shareholders' equity, other current income tax and deferred income tax expenses or gains are included in profit or loss for the period.

(1) Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

(2) Deferred tax assets/deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

A deferred tax liability is recognised for all taxable temporary differences, except:

- Where taxable temporary differences arise from the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss;
- For taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carry forward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of deductible tax losses and tax credits can be utilised, except:

- Where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss;
- Deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

27. Deferred tax assets/Deferred tax liabilities *(continued)*

(2) Deferred tax assets/deferred tax liabilities *(continued)*

At the balance sheet date, deferred income tax assets and liabilities are measured, subject the tax laws, at the applicable rate in the period in which deferred tax assets or liabilities are expected to be realised or settled, and the tax effects arising from the expected reversal of assets or liabilities are reflected at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

Deferred tax assets and deferred tax liabilities are offset and presented on a net basis if the Group has a legal right to set off the current tax assets against current tax liabilities on a net basis and the deferred taxes relate to the same taxable entity and the same taxation authority.

28. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into on the date of initial application, the Group assesses whether a contract is or contains a lease at commencement date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(1) As a lessee

(a) Allocation

For a contract that contains one or more lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use asset is initially measured at cost. This cost includes:

- The initial measurement amount of the lease liabilities;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Leases *(continued)*

(1) As a lessee *(continued)*

(b) Right-of-use assets *(continued)*

- An estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, excluding the costs that are incurred to produce inventories.

After the commencement date of the lease, the carrying amount of right-of-use assets shall be adjusted when lease liability is remeasured.

The Group makes depreciation for the right-of-use assets in accordance with the relevant depreciation regulations under the Accounting Standards for Business Enterprises No. 4-Fixed Assets. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

For the method of testing the impairment of the right-of-use asset and the method of determining impairment provision, please refer to Note III.20 for details.

(c) Lease liabilities

Except for short-term leases and lessees of low-value assets, at the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payment refers to the amount paid by the Group to the lessor relating to the right to use an underlying asset during the lease term, including:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments depending on the index or ratio;
- The exercise price of a purchase option reasonably certain to be exercised by the Group;
- Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate; and
- Amounts expected to be paid under residual value guarantees.

The variable lease payments, depending on the index or ratio, are determined at the initial measurement based on the index or proportion at the beginning of the lease term. The variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss or related asset costs when incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Leases *(continued)*

(1) As a lessee *(continued)*

(c) Lease liabilities *(continued)*

After the commencement date of the lease term, the Group calculates the interest expense of the lease liabilities for each period of the lease term based on a fixed periodic interest rate, and includes it in profit and loss or related asset costs.

After the commencement date of the lease term, the Group re-measures the lease liabilities and adjusts the corresponding right-of-use asset in the following circumstances. If the book value of the right-of-use asset has been reduced to zero, while the lease liabilities still need to be further reduced, the difference shall be included in the profit and loss.

- The Group re-measures the lease liabilities based on the present value of the post-change lease payments and the revised discount rate as a result of changes in the lease term or changes in the purchase option;

- The Group re-measures the lease liabilities based on the present value of the changed lease payments and the original discount rate, based on the amount of the amount payable or the index or proportion used to determine the lease payments. If the change in lease payments comes from changes in floating interest rates, the revised discount rate shall be adopted to calculate the present value.

(d) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of housing and buildings, machinery and equipment, motor vehicles, office equipment and other equipment and leases of low-value assets. Short-term leases are leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

A lease of low value asset refers to a single lease asset, when new, is of low value. Lease payments on short-term leases and leases of low-value assets are recognised in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

(e) Lease modifications

The Group accounts for a lease modification as a separate lease if there is a lease modification and both of the following apply:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Leases *(continued)*

(1) As a lessee *(continued)*

(e) Lease modifications *(continued)*

If the scope of the lease is narrowed or the lease term is shortened as a result of the lease modification, the Group reduces the carrying amount of the right-of-use assets accordingly, and record the relevant gains or losses of partial or complete termination of the lease into the current profit and loss. In case of remeasurement of lease liabilities due to other lease modifications, the Group adjusts the carrying amount of the right-of-use assets accordingly.

(2) As a lessor

(a) Allocation

Where the contract includes both the lease and non-lease components, the Group apportions the contract consideration according to the provisions of Note III.24 on the transaction price sharing. The basis of the apportionment is the individual selling price of the leased part and the non-lease part.

(b) Classification of lease

A lease that has substantially transferred almost all the risks and rewards related to the ownership of the leased asset is a financial lease. Leases other than finance leases are operating leases.

(i) The Group records the operating lease business as a lessor

During each period of the lease term, the Group uses the straight-line method to recognise the lease payments from operating leases as rental income. The initial direct costs incurred by the Group in relation to the operating leases are capitalised at the time of the acquisition, and are recognised in profit or loss.

(ii) The Group records the finance leasing business as a lessor

The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The amount of the lease receivable refers to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including:

- The fixed payment amount and the substantial fixed payment amount to be paid by the lessee, if there is a lease incentive, the amount related to the lease incentive is deducted;
- Variable lease payments depending on the index or ratio;
- The exercise price of the purchase option, provided that it is reasonably determined that the lessee will exercise the option;
- The lessee exercises the amount to be paid for the termination of the lease option, provided that the lease period reflects the lessee's exercise of the option to terminate the lease;

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Leases *(continued)*

(2) As a lessor *(continued)*

(b) Classification of lease *(continued)*

(ii) The Group records the finance leasing business as a lessor (continued)

- The residual value of the guarantee provided by the lessee, the party concerned with the lessee and the independent third party with the financial ability to perform the guarantee obligation;

The Group calculates and recognises interest income for each period of the lease term based on a fixed periodic interest rate.

(c) Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

If the finance lease changes and meets the following conditions, the Group will account for the change as a separate lease:

- The modification expands the scope of the lease by increasing the right to use one or more leased assets;
- The increased consideration is equal to the individual price of the expanded portion of the lease, as adjusted by the contractual situation.

If the modification of the finance lease is not treated as a separate lease, the Group will deal with the lease modification in the following cases:

- If the lease is classified as an operating lease when the change becomes effective on the lease start date, the Group begins accounting as a new lease from the effective date of the lease change and uses the net lease investment before the effective date of the lease change as the book value of the leased asset;
- If the change is effective on the lease start date and the lease is classified as a finance lease, the Group performs accounting treatment in accordance with the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" provisions for the modification or re-arrangement of contracts.

(3) Sales and leaseback

(a) The Group acts as the seller and lessee

The Group determines whether the asset transfer in the sale and leaseback transaction is a sale in accordance with Note III.24. If the transfer of assets is not a sale, the Group continues to recognise the transferred assets and recognises a financial liability equal to the transfer income, and accounts for the financial liabilities in accordance with Note III.11. Where the transfer of assets belongs to sales, the Group measures the right-of-use assets formed by the sale and leaseback based on the portion of the original asset's book value that is related to the use rights obtained from the leaseback, and only recognises the relevant gains or loss of the rights to transfer to the lessor.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Leases *(continued)*

(3) Sales and leaseback *(continued)*

(b) The Group acts as the buyer and lessor

If the asset transfer in the sale and leaseback transaction is not a sale, the Group does not recognise the transferred asset, but recognises a financial asset equal to the transfer income and performs accounting treatment on the financial asset in accordance with Note III.11. If the asset transfer belongs to sales, the Group will account for the asset purchase according to other applicable accounting standards and conduct accounting treatment for the asset lease.

29. Other significant accounting policies and accounting estimates

(1) Profit distribution

The proposed dividend distribution after balance sheet date will not be included in liabilities on balance sheet date, and will be disclosed individually in notes.

(2) Production safety expenses

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

(3) Debt restructuring

Recording debt restructuring obligation as a creditor

When a debt is settled by assets in a debt restructuring, the assets other than the transferred financial assets are initially recognised and measured at cost, including other costs such as the fair value of abandoned creditor's rights and taxes directly attributable to the asset. The difference between the fair value and the carrying amount of the abandoned creditor's right is included in the current profit or loss.

Where debt restructuring is carried out by modifying other terms, the Group recognises and measures the debt restructuring in accordance with the accounting policies described in Note III, 11.

(4) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the state and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

30. Significant accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions, which will affect the presented amounts of revenue, cost, assets and liabilities and the disclosure of contingent liabilities on balance sheet date. However, the uncertainty of assumptions and estimates may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

The following is key assumption and uncertainty in accounting estimates at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

(1) Impairment of goodwill

For goodwill arising from business combination, the Group tests it for impairment at the year end. Impairment test requires an estimate of the recoverable amount of the relevant asset group containing goodwill, that is, the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. In determining the present value of the future cash flows of the relevant asset group or the fair value of such asset group under equity method, the Group needs to properly determine the expected growth rate of future cash flow prediction of related asset group, the gross profit margin, the investment income proportion of long-term assets, average growth rate and reasonable discount rate, etc. When the market conditions change, the recoverable amount of the relevant asset group may differ from the existing estimates, which will affect the profit and loss for the period. Relevant details of impairment of goodwill are set out in Note V, 24.

(2) Credit loss allowance for receivables and contract assets

Except for that the Group recognises credit loss for receivables and contract assets that are individually significant or have credit impaired on an individually basis, the Group determines the expected credit loss of receivables and contract assets on a collectively basis using a provision matrix. For receivables and contract assets whose credit loss are determined individually, the Group determines the credit loss by estimating the expected cash flows based on reasonable and evidenced information available on the balance sheet date with forward-looking information taken into consideration. For receivables and contract assets other than the above, the Group, based on the historical collection condition, determines the proportion of corresponding loss provision for each type of receivables and contract assets with similar credit risk characteristics on a portfolio basis. The provision matrix is based on the Group's historical credit loss experience and is based on reasonable and evidence-based forward-looking information that is available without undue cost or effort. As at 31 December 2020, the Group has reassessed the historical actual credit loss rate and considered changes in forward-looking information.

(3) Depreciation and amortisation of investment properties, fixed assets and intangible assets

Investment properties, fixed assets and intangible assets with a definite life are depreciated and amortised in their useful lives respectively by the Group after considering residual values. The Group reviews useful life of assets periodically so as to determine the amounts for depreciation and amortisation in each reporting period. The useful life of assets is determined on the basis of previous experiences and estimated technology upgrading. If prior estimates change significantly, make adjustment to depreciation and amortisation expenses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

30. Significant accounting estimates and judgements *(continued)*

(4) Supplementary pension benefits and other supplementary benefits plan liabilities

The Group has recognised supplementary pension benefits and other supplementary benefits plan as liabilities. The estimated amounts of such benefits expenses and liabilities are calculated on the basis of various assumption conditions, including discount rate, growth rate of related benefits and others. The difference between actual results and actuarial assumption may affect the accuracy of accounting estimations. The changes in above assumptions will affect amount of liabilities for supplementary pension benefits and other supplementary benefits plan liabilities, even though the management considers the assumptions are reasonable.

(5) Provision for impairment of inventories

The Group determines the write-down for obsolescence and slow movement of inventories. These estimates are made with reference to aged inventory analyses, projections of expected future salability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. Due to changes in market conditions, actual salability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(6) Deferred tax assets

Besides the exceptions that have been illustrated in the Note III, 27, deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(7) Long-term assets impairment (excluding goodwill)

The Group determines if there is any indication showing impairment in long-term assets other than goodwill on balance sheet date. If there is any indication that it is unlikely to recover the carrying amount, the Group will make impairment assessment. Where the carrying amount of assets or assets group is higher than recoverable amount, namely the higher of net amount of fair value less disposal expense, and the present value of future estimated cash flow, the Group determines that impairment exists. The management must make estimation on future cash flow of such assets or assets group, and select reasonable discount rate to determine the present value of future cash flow.

(8) Warranties for product quality

Based on the recent experience in product maintenance, the Group will estimate the provisions for aftersales quality maintenance commitment provided to customers for the sale, maintenance and transformation of locomotives, vehicles and spare parts. As the recent maintenance experience may not reflect the maintenance situation of the sold products in the future, the management's judgments are requited to estimate the provisions. Any increase or decrease in the provision would affect profit or loss in future years.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

31. Changes in significant accounting policies and accounting estimates

(1). Changes in significant accounting estimates

The following accounting standards take effect for annual periods beginning on or after 1 January 2021 and are relevant to the Group:

- CAS Bulletin No.14 (Caikuai [2021] No.1)
- Notice on Adjustments to the Scope of Application of the Provisions on the Accounting Treatment of Rent Concession Relating to the COVID-19 Epidemic (Caikuai [2021] No.9)

(a) CAS Bulletin No.14

CAS Bulletin No.14 has been implemented since 26 January 2021 (the effective date).

(i) Public-Private-Partnership (PPP) projects

CAS Bulletins No.14 specifies the characteristics and conditions of the Public-Private-Partnership (PPP) project contracts, and stipulates the specific accounting treatment and disclosure requirements of the social capital parties on the PPP project contracts. The contents of "5. How to deal with participation in public infrastructure development business by enterprises by way of Building, Operation and Transfer (BOT)" set forth in the Interpretation No. 2 of the Accounting Standards for Business Enterprises (Caikuai [2008] No. 11) shall be repealed simultaneously.

The Group made retroactive adjustments on the relevant PPP project contracts commenced before 31 December 2020 and not completed by the effective date as well as those from 1 January 2021 to the effective date. In addition, the Group adjusted the retained earnings and the amount of other relevant items in the financial statements at the beginning of the year based on the cumulative effect due to the implementation thereof, and the information for the comparative period was not adjusted.

The following table summarises the impacts of these changes in accounting policies on the consolidated balance sheet:

RMB'000

	The Group		
	Carrying amount at 31 December 2020	Adjustment	Carrying amount at 1 January 2021
Assets:			
Long-term receivables	13,248,792	(2,237,203)	11,011,589
Other non-current assets	19,059,500	2,237,203	21,296,703

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

31. Changes in significant accounting policies and accounting estimates *(continued)*

(1). Changes in significant accounting estimates *(continued)*

(a) CAS Bulletin No.14 *(continued)*

(ii) The reform of benchmark interest rate

CAS Bulletins No.14 stipulates the relevant accounting treatment and disclosure requirements for the modification of financial instruments resulting from the reform of benchmark interest rate. The adoption of CAS Bulletins No.14 does not have any significant effect on the financial position, financial performance and related-party disclosure of the Group.

(b) Caikuai [2021] No.9

The Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2020] No.10) provides a practical expedient under certain conditions for rent concessions occurring as a direct consequence of the Covid-19 pandemic. According to Caikuai [2021] No.10, the period of rent concession to the practical expedient is for the lease payment payable before 30 June 2022.The adoption of Caikuai [2021] No.9 does not have any significant effect on the financial position, financial performance and related-party disclosure of the Group.

(2). Changes in significant accounting estimates

There were no significant changes in accounting estimates during the period.

IV. TAXES

1. Major categories of taxes and tax rates

Summary of major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax (VAT)	Output VAT is calculated by applying applicable rate to the taxable income, less deductible input VAT of the current year.	6-13%
City maintenance and construction tax	Computed by value added tax payable	5-7%
Enterprise income tax	Computed by taxable income	25%

2. Tax incentive

(1) VAT

According to The Notice of the MoF and the State Administration of Taxation on the Policy of Value Added Tax on Software Products (Cai Shui [2011] No. 100), the part of the actual tax burden of VAT exceeding 3% was levied and refunded upon collection, when CRRC Information Technology, CRRC Zhuzhou Institute and its holding subsidiaries sell their self-developed and self-produced software products in 2021.

IV. TAXES *(continued)*

2. Tax incentive *(continued)*

(2) Enterprise income tax

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Nanjing Puzhen and CRRC Industrial Institute obtained high-tech enterprise certificate in 2018, and is subject to an enterprise income tax at a reduced rate of 15% from 2018 to 2020. The Group expected that they would remain the reduced rate of 15% in 2021.

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Changchun Railway Vehicles Co. Ltd., CRRC Zhuzhou Institute, CRRC Zhuzhou Locomotive, CRRC Tangshan, CRRC Qishuyan, CRRC Qishuyan Institute, CRRC Yongji Moto, CRRC Zhuzhou Moto and CRRC Datong obtained high-tech enterprise certificate in 2020, and is subject to an enterprise income tax at a reduced rate of 15% from 2020 to 2022.

As approved by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and Beijing Local Taxation Bureau, CRRC Information Technology, obtained high-tech enterprise certificate in 2019, and is subject to an enterprise income tax at a reduced rate of 15% from 2019 to 2021.

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Sifang and CRRC Dalian obtained high-tech enterprise certificate in 2018, and is subject to an enterprise income tax at a reduced rate of 15% from 2018 to 2020. The Group expected that they would remain the reduced rate of 15% in 2021.

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Qingdao Sifang, CRRC Sifang Institute and CRRC Dalian Institute obtained high-tech enterprise certificate in 2020, and is subject to an enterprise income tax at a reduced rate of 15% from 2020 to 2022.

According to the Notice of the MoF, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues concerning Further Implementing the Western China Development Strategy (Cai Shui [2011] No. 58), From 1 January 2021 to 31 December 2030, the enterprise income tax on an enterprise in an encouraged industry established in western China shall be paid at the reduced rate of 15%. As approved by Sichuan State Taxation Bureau, the principal operations of CRRC Ziyang are defined as state encouraged projects which levied at a reduced rate of 15%.

According to the PRC Enterprise Income Tax Law and its implementing regulations, as well as the Notice of the MoF and the State Administration of Taxation on Extending the Period for Carry-over of Losses of High-tech Enterprises and Small and Medium-sized Technological Enterprises (Cai Shui [2018] No.76), the enterprises with the qualification of high-tech enterprises or small and medium-sized technological enterprises (hereinafter referred to as "qualification") in 2018, are allowed to carry forward the losses occurred from 2013 to 2017 that have not yet been covered to subsequent years, regardless of whether they are the enterprises with the qualification from 2013 to 2017. The maximum carry-over period is 10 years. Enterprises that are qualified from the year after 2018 carry forward losses to offset tax on the same basis. A number of companies under the Group, as high-tech enterprises, will carry forward the undistributed losses for 10 years since 2018 according to the provisions.

IV. TAXES *(continued)*

2. Tax incentive *(continued)*

(2) Enterprise income tax *(continued)*

Pursuant to the Announcement on Further Improvements to the Policy of Weighted Pre-tax Deduction for Research and Development Expenses (Announcement [2021] No. 13), which is applicable to certain subsidiaries of the Group since 1 January 2021, for research and development expenses actually incurred by manufacturing enterprises in carrying out research and development activities, where intangible assets have not been formed and included in the profit or loss of the current period, 100% of the actually incurred amount are allowed for pre-tax deduction, on the basis of actual deduction pursuant to the provisions; where intangible assets have been formed, amortisation shall be based on 200% of the costs of the intangible assets before tax.

Pursuant to the Inland Revenue (Amendment) (No. 2) Ordinance 2016 of the Hong Kong SAR, CRRC Hong Kong capital management Ltd meets the conditions of Qualifying Corporate Treasury Centres. The assessable profits generated from the business types specified in the Ordinance (such as part of the fund lending business, financial assets investment business, etc.) shall be applicable to the concessionary tax rate of 8.25%, and the profits derived from non-corporate treasury activities are subject to the standard tax rate of 16.5%.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB'000

Item	Closing balance	Opening balance
Cash on hand	1,298	1,950
Bank deposits	34,324,600	32,531,417
Other cash and bank balances	1,169,152	958,992
Total	35,495,050	33,492,359
Including: Total amount deposited overseas	3,443,647	3,907,479

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

1. Cash and bank balances *(continued)*

Other descriptions:

Restricted funds of the Group:

RMB'000

Item	Closing balance	Opening balance
Statutory reserve deposited by CRRC Finance at central bank	1,493,639	1,370,913
Guarantee deposits for acceptances	842,056	620,083
Guarantee deposits for letter of credit	20,997	26,991
Guarantee deposits for letter of guarantee	162,623	194,140
Pledge of bank borrowings for the Group	1,756	1,667
Deposits subject to government regulation or special restrictions and others (Note)	196,221	120,080
Total	2,717,292	2,333,874

As at 30 June 2021, the term deposits that have not been pledged or restricted for use for three months or over three months is RMB11,310,414,000 (as at 31 December 2020: RMB1,318,107,000).

2. Held-for-trading financial assets

RMB'000

Item	Closing balance	Opening balance
Investment in equity instruments	2,171,826	1,606,487
Derivatives	2,672	2,428
Others (Note)	6,696,550	4,190,475
Total	8,871,048	5,799,390

Note: Others are mainly short-term floating income wealth management products purchased by the Group.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Bills receivable

(1). Category of bills receivable:

RMB'000

Item	Closing balance	Opening balance
Bank acceptances	3,168,753	4,503,501
Commercial acceptances	8,337,774	8,308,230
Less: Credit loss allowance	(28,113)	(32,338)
Total	11,478,414	12,779,393

(2). Bills receivable pledged at the end of the period:

RMB'000

Item	Amount pledged as at 30 June 2021
Bank acceptances	241,420
Commercial acceptances	18,000
Total	259,420

(3). Bills receivable endorsed or discounted but not matured at the balance sheet date

RMB'000

Item	Amount not derecognised as at 30 June 2021
Bank acceptances	872,579
Commercial acceptances	2,654,178
Total	3,526,757

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Bills receivable *(continued)*

(4). Details of provision for credit loss allowance

RMB'000

Credit loss allowance	12-month ECL (Non-credit impaired)	Total
Balance at 1 January 2021	32,338	32,338
Provision	28,113	28,113
Reversal	(32,338)	(32,338)
Balance at 30 June 2021	28,113	28,113

(5). As at 30 June 2021, bills receivable due from related parties are set out in Note X, 5.

4. Accounts receivable

(1). Ageing analysis of accounts receivable

RMB'000

Ageing	Closing book value	Opening book value
Within 1 year	90,865,099	68,444,167
1-2 years	4,956,792	3,328,013
2-3 years	1,647,505	1,379,345
3-4 years	1,247,023	1,274,251
4-5 years	469,930	442,791
Over 5 years	1,752,687	1,802,039
Sub-total	100,939,036	76,670,606
Less: Credit loss allowance	(4,723,406)	(4,700,980)
Total	96,215,630	71,969,626

The aging of accounts receivable of the Group is classified based on the related invoice dates.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivable *(continued)*

(2). Analysis of accounts receivable by categories based on method of provision for credit loss allowance

RMB'000

Category	Closing balance					Opening balance				
	Book value		Credit loss allowance			Book value		Credit loss allowance		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Provision on individual basis	7,206,241	7.1	(3,244,624)	45.0	3,961,617	7,462,031	9.7	(3,286,937)	44.0	4,175,094
Provision on portfolio basis	93,732,795	92.9	(1,478,782)	1.6	92,254,013	69,208,575	90.3	(1,414,043)	2.0	67,794,532
Total	100,939,036	100.0	(4,723,406)	/	96,215,630	76,670,606	100.0	(4,700,980)	/	71,969,626

(i) Analysis of accounts receivable for which credit loss allowance is provided on an individual basis:

RMB'000

Item	Closing balance			
	Book value	Credit loss allowance	Percentage (%)	Reason for provision
Accounts receivable 1	213,676	(213,676)	100.0	Note
Accounts receivable 2	177,790	(177,790)	100.0	Note
Accounts receivable 3	150,712	(150,712)	100.0	Note
Accounts receivable 4	121,974	(121,974)	100.0	Note
Accounts receivable 5	197,059	(120,768)	61.3	Note
Others	6,345,030	(2,459,704)	38.8	Note
Total	7,206,241	(3,244,624)	45.0	/

Note: The Group considered the reasonable and evidenced information (including forward-looking information) available in relation to the counterparty, assessed the expected credit losses and accrued loss allowance.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivable *(continued)*

(2). Analysis of accounts receivable by categories based on method of provision for credit loss allowance *(continued)*

(ii) Analysis of accounts receivable for which credit loss allowance is provided on a portfolio basis

RMB'000

Ageing	Expected credit loss rate (%)	Book value at 30 June 2021	Credit loss allowance	Carrying amount at 30 June 2021
Within 1 year	0.1-2.0	87,060,427	(568,235)	86,492,192
1-2 years	1.0-10.0	4,461,951	(187,743)	4,274,208
2-3 years	5.0-25.0	1,026,460	(122,400)	904,060
3-4 years	20.0-30.0	293,816	(77,302)	216,514
4-5 years	35.0-50.0	258,571	(113,094)	145,477
Over 5 years	60.0-70.0	631,570	(410,008)	221,562
Total	/	93,732,795	(1,478,782)	92,254,013

(3). Details of provision for credit loss allowance:

RMB'000

Credit loss allowance	Lifetime ECL – Not credit impaired	Lifetime ECL – Credit impaired	Total
At 1 January 2021	1,531,304	3,169,676	4,700,980
Transfer to Phase 3	(292,226)	292,226	–
Provision	318,014	13,843	331,857
Reversal	(75,858)	(139,123)	(214,981)
Write-off	–	(90,770)	(90,770)
Other changes	(2,452)	(1,228)	(3,680)
At 30 June 2021	1,478,782	3,244,624	4,723,406

(4). Five largest accounts receivable by debtor at the end of the period:

RMB'000

Entity name	Relationship with the Group	Closing book value	Proportion to total accounts receivable (%)
Top five accounts receivable	Third party	58,838,793	58.29

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivable *(continued)*

(5). Accounts receivable derecognised due to transfer of financial assets:

RMB'000

Item	Ways to transfer accounts receivable	Amount derecognised in current period
CRRC Trust Assets-backed Notes	Securitisation	350,828
Accounts receivable factoring	Factoring	643,283
Total	/	994,111

(6). As at 30 June 2021, the Group has accounts receivable with carrying amount equivalent to RMB8,465,000 (31 December 2020: RMB9,283,000) as pledge for bank loans.

(7). As at 30 June 2021, amounts due from related parties of the Group are set out in Note X. 5.

5. Receivables at FVTOCI

RMB'000

Item	Closing balance	Opening balance
Bills receivable	6,395,377	6,693,055
Accounts receivable	1,448,263	1,471,159
Total	7,843,640	8,164,214

(1) Changes in receivables at FVTOCI and fair value movements during the period:

RMB'000

Item	Closing balance
Cost	7,996,019
Fair value	7,843,640
Fair value changes accumulated included in other comprehensive income	(152,379)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. Receivables at FVTOCI *(continued)*

(2) Bills receivable pledged at the end of the period

RMB'000

Item	Pledged amount at the end of the period
Bank acceptances	73,083
Total	73,083

(3) Bills receivable endorsed or discounted but not matured at the balance sheet date:

RMB'000

Item	Amount derecognised at end of the period
Bank acceptances	9,040,386
Commercial acceptances	49,868
Total	9,090,254

(4) Credit loss allowance for receivables at fair value through other comprehensive income

RMB'000

Credit loss allowance	Phase 1 12-month ECL (Non-credit impaired)	Total
Balance at 1 January 2021	7,162	7,162
Provision	188	188
Reversal	(7,265)	(7,265)
Balance at 30 June 2021	85	85

(5) As at 30 June 2021, amounts due from related parties of the Group are set out in Note X, 5.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. Prepayments

(1). Prepayments presented by ageing:

RMB'000

Ageing	Closing balance Amount	Closing balance Percentage (%)	Opening balance Amount	Opening balance Percentage (%)
Within 1 year	6,805,529	77.4	6,547,564	77.2
1-2 years	467,717	5.3	628,342	7.4
2-3 years	297,285	3.3	481,048	5.7
Over 3 years	1,227,335	14.0	824,988	9.7
Total	8,797,866	100.0	8,481,942	100.0

(2). Details of prepayments with top five closing balance

RMB'000

Entity name	Relationship with the Group	Closing balance	Proportion to total prepayments (%)
Top 5 prepayments	Third party	1,366, 956	15.54

(3). As at 30 June 2021, prepayments made to related parties of the Group are set out in Note X, 5.

7. Other receivables

Presentation by categories

RMB'000

Item	Closing balance	Opening balance
Interest receivable	5,103	15,946
Dividends receivable	70,487	117,946
Other receivables	3,847,003	4,577,503
Total	3,922,593	4,711,395

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

Interest receivable

(1). Interest receivable by category

RMB'000

Item	Closing balance	Opening balance
Bonds investment	1,460	14,875
Others	3,643	1,071
Total	5,103	15,946

Dividends receivable

(1). Dividends receivable

RMB'000

Item (or investee)	Closing balance	Opening balance
Related party	61,682	117,716
Third party	8,805	230
Total	70,487	117,946

Other receivables

(1). Analysis by ageing

RMB'000

Ageing	Closing book value	Opening book value
Within 1 year	3,385,937	4,214,115
1-2 years	314,851	270,363
2-3 years	254,288	228,534
3-4 years	219,077	292,816
4-5 years	116,467	27,740
Over 5 years	348,827	339,736
Sub-total	4,639,447	5,373,304
Less: Credit loss allowance	(792,444)	(795,801)
Total	3,847,003	4,577,503

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

Other receivables *(continued)*

(2). Categorised by nature

RMB'000

Nature	Closing book value	Opening book value
Advances paid for others	1,311,078	1,173,561
Deposits and securities	554,137	670,641
Land transfer receivables	41,523	51,523
Receivables from equity disposal	142,523	1,330,721
Others	1,797,742	1,351,057
Total	3,847,003	4,577,503

(3). Analysis of accounts receivable by categories based on method of provision for credit loss allowance

RMB'000

	Closing balance					Opening balance				
	Book value		Credit loss allowance			Book value		Credit loss allowance		
Category	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Provision on individual basis	1,346,876	29.0	(754,669)	56.0	592,207	1,460,207	27.2	(718,539)	49.2	741,668
Provision on portfolio basis	3,292,571	71.0	(37,775)	1.1	3,254,796	3,913,097	72.8	(77,262)	2.0	3,835,835
Total	4,639,447	100.0	(792,444)	/	3,847,003	5,373,304	100.0	(795,801)	/	4,577,503

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

Other receivables *(continued)*

(4). Details of provision for credit loss allowance

RMB'000

Credit loss allowance	Phase 1 12-month ECL	Phase 2 Lifetime ECL – Not credit impaired	Phase 3 Lifetime ECL – Credit impaired	Total
Balance at 1 January 2021	31,315	–	764,486	795,801
Transfer to Phase 2	–	–	–	–
Transfer to Phase 3	(585)	–	585	–
Provision	8,401	–	2,384	10,785
Reversal	(1,308)	–	(11,890)	(13,198)
Write-off	–	–	(873)	(873)
Other changes	(48)	–	(23)	(71)
Balance at 30 June 2021	37,775	–	754,669	792,444

(5). Details of other receivables from debtors with top 5 closing balance

RMB'000

Entity name	Nature	Closing balance	Proportion to total closing balance of other receivables (%)
Top 5 other receivables	Related party/Third party	1,719,271	37.1

(6). As at 30 June 2021, other receivables due from related parties of the Group are set out in Note X, 5.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. Inventories

(1). Category of inventories

RMB'000

Item	Closing balance			Opening balance		
	Book value	Provision for impairment of inventories/ Provision for impairment of costs to fulfil a contract with a customer	Carrying amount	Book value	Provision for impairment of inventories/ Provision for impairment of costs to fulfil a contract with a customer	Carrying amount
Raw materials	20,435,375	(910,532)	19,524,843	16,248,833	(816,253)	15,432,580
Work in progress	39,464,452	(960,375)	38,504,077	34,059,680	(1,055,595)	33,004,085
Finished goods	17,016,912	(566,759)	16,450,153	14,841,727	(591,879)	14,249,848
Turnover materials	288,467	(20,267)	268,200	228,520	(14,852)	213,668
Commissioned processing materials	72,499	(126)	72,373	66,068	(126)	65,942
Total	77,277,705	(2,458,059)	74,819,646	65,444,828	(2,478,705)	62,966,123

(2). Provision for impairment of inventories

RMB'000

Item	Opening balance	Increases		Decreases			Closing balance
		Provision	Others	Reversal	Write-off	Others	
Raw materials	816,253	79,297	42,668	13,137	14,432	117	910,352
Work in progress	1,055,595	45,736	1,822	15,220	125,828	1,730	960,375
Finished goods	591,879	5,498	122	20,753	8,301	1,686	566,759
Turnover materials	14,852	5,584	92	134	127	–	20,267
Commissioned processing materials	126	–	–	–	–	–	126
Total	2,478,705	136,115	44, 704	49,244	148,688	3,533	2,458,059

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

9. Contract assets

(1). Details of contract assets:

RMB'000

Item	Closing balance	Opening balance
Sale of goods related (Note 1)	34,325,732	29,743,283
Project contracting related (Note 2)	6,492,075	4,429,120
Less: Credit loss allowance on contract assets	(386,430)	(332,135)
Sub-total	40,431,377	33,840,268
Less: Contract assets presented under other non-current assets (Note V, 26)	(19,563,465)	(14,954,887)
Total	20,867,912	18,885,381

Note 1: For the sales of goods provided by the Group, it is agreed in the contract that the Group shall pay separately at different stages according to the proportion. The Group recognises the revenue at the time of acceptance and delivery of goods, and the right to receive consideration that does not meet the unconditional right to receive payment is recognised as contract assets/other non-current assets according to the liquidity.

Warranty provisions from the Group sales contracts, the Group has the unconditional right to collect consideration from customers after the expiration of the warranty period without material quality problems. Therefore, the contract assets formed from this part of the warranty provisions should be recognised as receivable after the end of the quality guarantee period without material quality problems.

Note 2: Revenue from project contracting services provided by the Group shall be recognised based on the performance progress, and the contract consideration shall be collected after the customer completes the acceptance check and work settlement. The difference between the revenue recognised based on the performance progress and such consideration shall be recognised as contract assets and presented under contract assets/other non-current assets according to the liquidity.

Warranty provisions from project contracting services provided by the Group and customer settlement, the Group has the unconditional right to collect consideration from customers after the expiration of the warranty period without material quality problems. Therefore, the contract assets formed from this part of the warranty provisions should be recognised as receivable after the end of the quality guarantee period without material quality problems.

As at 30 June 2021, the Group has long-term receivables with carrying amount equivalent to RMB678,478,000 stated in other non-current assets, as pledge for the Group to obtain bank loans.

(2). Credit loss allowance on contract assets for the period:

RMB'000

Credit loss allowance	Lifetime ECL – Not credit impaired	Lifetime ECL – Credit impaired	Total
Balance at 1 January 2021	330,785	1,350	332,135
Provision	64,303	1,933	66,236
Reversal	(12,145)	(40)	(12,185)
Other changes	244	–	244
Balance at 30 June 2021	383,187	3,243	386,430

(3). As at 30 June 2021, book value of contract assets of related parties of the Group are set out in Note 5.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

10. Non-current assets due within one year

RMB'000

Item	Closing balance	Opening balance
Debt investments due within one year	137,573	721,949
Long-term receivables due within one year (Note V, 14)	4,861,229	5,574,780
Loans and advances due within one year (Note V, 12)	12,476,385	10,820,712
Other non-current assets due within one year (Note V, 26)	13,365	7,344
Total	17,488,552	17,124,785

11. Other current assets

RMB'000

Item	Closing balance	Opening balance
Withholding VAT	3,787,440	4,734,884
Bond investment	175,333	567,758
Others	33,935	40,098
Total	3,996,708	5,342,740

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. Loans and advances to customers

RMB'000

Item	Closing balance	Opening balance
Loans and advances made by CRRC Finance	12,620,056	10,965,024
Less: Credit loss allowance	(143,671)	(144,312)
Sub-total	12,476,385	10,820,712
Including: Loans and advances due within one year (Note V, 10)		
Loans and advances due after one year	12,476,385	10,820,712

Credit loss allowance	Phase 1 12-month ECL	Phase 2 Lifetime ECL – Not credit impaired	Phase 3 Lifetime ECL – Credit impaired	Total
Balance at 1 January 2021	122,349	21,963	–	144,312
Transfer to Phase 2	(50)	50	–	–
Provision	51,990	13,874	13,216	79,080
Reversal	(61,448)	(18,273)	–	(79,721)
Balance at 30 June 2021	112,841	17,614	13,216	143,671

As at 30 June 2021, the details of loans and advances (inclusive of the portion due within one year) to related parties are set out in Note X, 5.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. Debt investments

(1). Details of debt investments

RMB'000

Item	Closing balance Book value	Closing balance Credit loss allowance	Closing balance Carrying amount	Opening balance Book value	Opening balance Credit loss allowance	Opening balance Carrying amount
Five-year USD Notes of China Merchants Group	193,785	–	193,785	195,746	–	195,746
Five-year Medium Term Notes of Minsheng Financial Leasing Co., Ltd.	193,784	–	193,784	193,637	–	193,637
Three-year Bonds of Tongfang Co., Ltd.	–	–	–	195,435	–	195,435
Seven-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	174,605	–	174,605	177,597	–	177,597
Related to "Built – transfer"-Nanjing Qilin Modern Tram Construction Co., Ltd.	82,248	–	82,248	82,248	–	82,248
Five-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	128,538	–	128,538	130,025	–	130,025
Five-year Bonds of Qingdao City Construction Investment (Group) Co., Ltd.	129,396	–	129,396	130,688	–	130,688
Others	1,750,613	–	1,750,613	786,183	(600)	785,583
Sub-total	2,652,969	–	2,652,969	1,891,559	(600)	1,890,959
Less: Debt investment included in non-current assets due within one year (Note V, 10)	(137,573)	–	(137,573)	(721,949)	–	(721,949)
Total	2,515,396	–	2,515,396	1,169,610	(600)	1,169,010

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. Debt investments *(continued)*

(2). Provision for credit loss allowance:

RMB'000

Credit loss allowance	Phase 3 Lifetime ECL – Credit impaired	Total
Balance at 1 January 2021	600	600
Reversal	(600)	(600)
Balance at 30 June 2021	–	–

14. Long-term receivables

(1) Details of long-term receivables:

RMB'000

Item	Closing balance Book value	Closing balance Credit loss allowance	Closing balance Carrying amount	Opening balance Book value	Opening balance Credit loss allowance	Opening balance Carrying amount	Discount rate interval
Financing lease	16,989,881	(2,942,365)	14,047,516	15,323,376	(2,721,918)	12,601,458	4.9%-14%
Sales by instalments	3,295,636	(617,430)	2,678,206	3,114,890	(622,308)	2,492,582	4%-6%
Construction payment and built-transfer receivables	1,070,982	(259,115)	811,867	3,985,400	(255,868)	3,729,532	3.5%-6%
Total	21,356,499	(3,818,910)	17,537,589	22,423,666	(3,600,094)	18,823,572	/
Less: Long-term receivables due within one year (Note V, 10)	/	/	(4,861,229)	/	/	(5,574,780)	/
Long-term receivables due after one year	/	/	12,676,360	/	/	13,248,792	/

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

14. Long-term receivables *(continued)*

(2) Provision for credit loss allowance:

RMB'000

Credit loss allowance	Phase 2 Lifetime ECL – Not credit impaired	Phase 3 Lifetime ECL – Credit impaired	Total
Balance at 1 January 2021	535,099	3,064,995	3,600,094
Provision	99,833	150,920	250,753
Reversal	(3,694)	(24,649)	(28,343)
Other changes	–	(3,594)	(3,594)
Balance at 30 June 2021	631,238	3,187,672	3,818,910

(3) Financing lease receivable

RMB'000

Item	Closing balance	Opening balance
The minimum amount of the lease receivable:		
1st year after the balance sheet date	7,813,375	8,635,845
2nd year after the balance sheet date	4,026,287	3,529,382
3rd year after the balance sheet date	3,113,734	2,705,892
4th year after the balance sheet date	1,584,609	1,381,131
5th year after the balance sheet date	1,062,774	649,459
Years afterwards	2,252,619	943,175
Total of the minimum amount of the lease receivable	19,853,398	17,844,884
Less: Unrealised financing income	(2,863,517)	(2,521,508)
Credit loss allowance	(2,942,365)	(2,721,918)
Financing lease receivable	14,047,516	12,601,458
Including: Financing lease receivable due within one year	4,392,807	5,014,176
Financing lease receivable due after one year	9,654,709	7,587,282

As at 30 June 2021, the Group has long-term receivables with carrying amount equivalent to RMB2,529,588,000 (31 December 2020: RMB1,068,174,000) as pledge for the Group to obtain bank loans.

As at 30 June 2021, long-term receivables (inclusive of the portion due within one year) due from related parties of the Group are set out in Note X. 5.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

15. Long-term equity investments

RMB'000

Investee	Opening balance	Movements during the period: Increasing investment	Decreasing investments	Investment gains or losses under equity method	Adjustment of other comprehensive income	Other equity movements (Note 1)	Announcement of cash dividends or profits	Provision for impairment loss	Others	Closing balance
I. Joint ventures										
Wuhu Yunda Rail Transit Construction and Operation Co., Ltd. ("Wuhu Yunda")	506,530	992,420	–	–	–	–	–	–	–	1,498,950
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	362,386	–	–	(7,621)	–	–	–	–	–	354,765
Changchun Bombardier Railway Vehicles Company Ltd.	300,700	–	–	4,697	–	–	–	–	–	305,397
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	186,164	–	–	1,934	–	–	–	–	–	188,098
Zhuzhou CRRC Times High-tech Investment & Trusting Co., Ltd.	217,893	–	–	5,250	–	–	(5,000)	–	–	218,143
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	119,188	–	–	11,088	–	–	(45,000)	–	–	85,276
Others	1,100,550	23,000	–	(21,933)	6,422	–	(420)	(392)	–	1,107,227
Sub-total	2,793,411	1,015,420	–	(6,585)	6,422	–	(50,420)	(392)	–	3,757,856
II. Associates										
China United Insurance Holding Company	5,250,627	–	–	61,764	2,171	–	(10,000)	–	–	5,304,562
CRRC Hunan Times Electric Vehicle Co., Ltd.	1,476,771	–	–	(123,572)	–	–	–	–	–	1,353,199
Jinan-Qingdao High-speed Railway Co., Ltd.	1,208,474	–	–	–	–	–	–	–	–	1,208,474
Beijing Time New Park Property Management Co., Ltd.	456,903	–	–	–	–	–	–	–	–	456,903
CRRC Ziyang Electric Technology Co., Ltd.	353,392	–	–	(1,681)	–	–	–	–	–	351,711
CRRC Foshan Investment Development Co., Ltd.	317,500	–	–	–	–	–	–	–	–	317,500
Tianjin Electric Locomotive Co., Ltd. ("Tianjin Electric Locomotive")	322,795	–	–	(1,193)	–	339	–	–	–	321,941
CRRC Tianjin Jinpu Industrial Park Management Co., Ltd.	326,409	–	–	(5,527)	–	–	–	–	–	320,882
Shanghai Alstom Transport Electrical Equipment Co., Ltd.	193,419	–	–	20,399	–	–	–	–	–	213,818
Huaneng Tieling Daxing Wind Power Co., Ltd.	166,541	–	–	6,728	–	–	–	–	–	173,269
Others	3,253,261	120,537	–	2,900	(249)	10,729	(1,400)	–	(9,243)	3,376,535
Sub-total	13,326,092	120,537	–	(40,182)	1,922	11,068	(11,400)	–	(9,243)	13,398,794
Total	16,119,503	1,135,957	–	(46,767)	8,344	11,068	(61,820)	(392)	(9,243)	17,156,650

Note 1: The main reason for other equity changes is that the share of investment in the investee owned by the Group is increased by the non-proportional capital increase by other investors of the investee.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. Investments in other equity instruments

(1). Details of investment in other equity instruments:

RMB'000

Item	Closing balance	Opening balance
Listed equity instrument investments	1,080,818	1,131,167
Unlisted equity instruments	1,537,546	1,531,683
Total	2,618,364	2,662,850

(2). Details of non-tradable equity instrument investments

RMB'000

Item	Dividend income recognised in this period	Accumulative gains	Accumulative losses	Amount of other comprehensive income transferred to retained earnings	Reason for being designated as at FVTOCI	Reason of other comprehensive income transferred to retained earnings
Listed equity instrument investments	1,049	84,768	865,148	–	Note	/
Unlisted equity instruments	11,073	52,121	28,866	–	Note	/
Total	12,122	136,889	894,014	–	/	/

Other descriptions:

Note: The unlisted equity instrument investments of the Group are investments planned to be held for the long term for the strategic purpose of the Group. Therefore, the above investments are designated as financial assets at FVTOCI by the Group.

17. Other non-current financial assets

RMB'000

Item	Closing balance	Opening balance
Financial assets investments: such as preference shares	572,847	578,293
Total	572,847	578,293

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. Investment properties

RMB'000

Item	Buildings	Land use rights	Total
I. Cost			
1. Opening balance	1,288,071	110,425	1,398,496
2. Increases	30,432	15,356	45,788
(1) Transfer from fixed assets (Note V, 19)	30,432	–	30,432
(2) Transfer from intangible assets (Note V, 22)	–	15,356	15,356
3. Decreases	42,344	–	42,344
(1) Transfer to fixed assets (Note V, 19)	42,344	–	42,344
4. Closing balance	1,276,159	125,781	1,401,940
II. Accumulated depreciation and amortisation			
1. Opening balance	298,527	22,509	321,036
2. Increases	37,003	5,255	42,258
(1) Provision or amortisation	24,334	1,067	25,401
(2) Transfer from fixed assets (Note V, 19)	12,669	–	12,669
(3) Transfer from intangible assets (Note V, 22)	–	4188	4188
3. Decreases	8,424	–	8,424
(1) Transfer to fixed assets (Note V, 19)	8,424	–	8,424
4. Closing balance	327,106	27,764	354,870
III. Provision for impairment			
1. Opening balance	12,061	–	12,061
2. Closing balance	12,061	–	12,061
IV. Carrying amount			
1. Carrying amount at the end of the period	936,992	98,017	1,035,009
2. Carrying amount at the beginning of the period	977,483	87,916	1,065,399

19. Fixed assets

Presented by item

RMB'000

Item	Closing balance	Opening balance
Fixed assets	57,433,829	57,946,565
Disposal of fixed assets	24,701	23,986
Total	57,458,530	57,970,551

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Fixed assets *(continued)*

Fixed assets

(1). Details of fixed assets:

RMB'000

Item	Land assets	Plant and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Total
I. Cost						
1. Opening balance	280,525	49,326,261	49,158,264	2,749,612	6,399,330	107,913,992
2. Increases	–	1,048,563	1,477,327	19,342	231,515	2,776,747
(1) Additions	–	13,494	249,616	5,515	88,283	356,908
(2) Transfer from construction in progress (Note V, 20)	–	992,458	1,225,231	13,721	143,186	2,374,596
(3) Transfer from investment properties (Note V, 18)	–	42,344	–	–	–	42,344
(4) Translation differences arising from translation of foreign currency financial statements	–	267	2,480	106	46	2,899
3. Decreases	7,184	176,804	370,146	22,564	87,642	664,340
(1) Disposal or retirement	–	104,264	307,441	21,746	70,749	504,200
(2) Transfer to construction in progress (Note V, 21)	–	94	7,671	–	25	7,790
(3) Transfer to investment properties (Note V, 18)	–	30,432	–	–	–	30,432
(4) Translation differences arising from translation of foreign currency financial statements	7,184	42,014	55,034	818	16,868	121,918
4. Closing balance	273,341	50,198,020	50,265,445	2,746,390	6,543,203	110,026,399
II. Accumulated depreciation						
1. Opening balance	–	14,008,144	29,019,843	1,929,907	4,311,822	49,269,716
2. Increases	–	888,905	1,810,319	78,764	315,189	3,093,177
(1) Provision	–	880,481	1,808,868	78,764	311,345	3,079,458
(2) Transfer from investment properties (Note V, 18)	–	8,424	–	–	–	8,424
(3) Translation differences arising from translation of foreign currency financial statements	–	–	1,451	–	3,844	5,295

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Fixed assets *(continued)*

Fixed assets *(continued)*

(1). Details of fixed assets: *(continued)*

Item	Land assets	Plant and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Total
3. Decreases	–	81,184	290,095	21,302	65,692	458,273
(1) Disposal or retirement	–	45,516	253,539	20,064	55,367	374,486
(2) Transfer to construction in progress (Note V, 20)	–	94	5,087	–	2	5,183
(3) Transfer to investment properties (Note V, 18)	–	12,669	–	–	–	12,669
(4) Translation differences arising from translation of foreign currency financial statements	–	22,905	31,469	1,238	10,323	65,935
4. Closing balance	–	14,815,865	30,540,067	1,987,369	4,561,319	51,904,620
III. Provision for impairment						
1. Opening balance	–	65,728	570,402	44,567	17,014	697,711
2. Increases	–	–	–	–	–	–
3. Decreases	–	–	9,205	128	428	9,761
(1) Disposal or retirement	–	–	7,724	128	–	7,852
(2) Translation differences arising from translation of foreign currency financial statements	–	–	1,481	–	428	1,909
4. Closing balance	–	65,728	561,197	44,439	16,586	687,950
IV. Carrying amount						
1. Carrying amount at the end of the period	273,341	35,316,427	19,164,181	714,582	1,965,298	57,433,829
2. Carrying amount at the beginning of the period	280,525	35,252,389	19,568,019	775,138	2,070,494	57,946,565

(2). Details of rent-out fixed assets under operating leases:

RMB'000

Item	Carrying amount as at 30 June 2021
Machinery and equipment	205,447
Transportation vehicles	104,461
Office and other equipment	167
Total	310,075

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Fixed assets *(continued)*

Fixed assets *(continued)*

(3). Details of fixed assets of which property right certificates had not been obtained yet:

RMB'000

Item	Carrying amount	Reasons for having not obtained the property right certificates
Buildings	4,332,022	In process

Disposal of fixed assets

RMB'000

Item	Closing balance	Opening balance
Plant and buildings	8,644	8,521
Machinery and equipment	12,885	10,998
Motor vehicles	480	562
Office and other equipment	2,692	3,905
Total	24,701	23,986

Other descriptions:

As at 30 June 2021, the Group had buildings, machinery, and equipments with carrying amount equivalent to RMB180,433,000 (31 December 2020: RMB151,556,000) as collateral for the Group to obtain bank loans. Except for the fixed assets used as collateral, there was no other restriction on the ownership of fixed assets as at 30 June 2021.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. Construction in progress

Presented by item

RMB'000

Item	Closing balance	Opening balance
Construction in progress	8,138,876	8,623,281
Materials for construction of fixed assets	88,863	51,882
Total	8,227,739	8,675,163

Construction in progress

(1). Details of construction in progress

RMB'000

Item	Closing balance			Opening balance		
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount
Construction in progress	8,147,432	(8,556)	8,138,876	8,631,837	(8,556)	8,623,281
Total	8,147,432	(8,556)	8,138,876	8,631,837	(8,556)	8,623,281

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. Construction in progress *(continued)*

Construction in progress *(continued)*

(2). Changes in significant construction in progress for the period

RMB'000

Item	Budget	Opening balance	Increases	Transfers to fixed assets (Note V, 20)	Transfer to intangible assets (Note V, 23)	Transfer to investment properties (Note V, 19)	Transfer from fixed assets (Note V, 20)	Others	Closing balance	Percentage of actual cost to budget (%)	Project progress (%)	Cumulative capitalisation of interests	Including: capitalisation of interests for the period	Capitalisation rate of interests (%)	Sources of funding
Automobile component supporting construction project	3,337,700	1,280,595	357,268	-	-	-	-	-	1,637,863	74.98	74.98	-	-	-	Self-raised
Construction of new plant in Shajingyi	1,700,000	1,045,372	111,642	-	-	-	-	-	1,157,014	73.49	73.49	83,423	25,666	5.40	Loan
Lvshun project	4,774,000	1,486,826	139,466	(864,567)	(88,160)	-	-	(709)	672,856	83.00	83.00	27,957	-	5.25	Loan
Project on high-voltage IGBT chip production line transformation and medium and low-voltage module production line expansion	354,004	253,714	4,153	-	-	-	-	3,144	261,011	75.74	75.74	-	-	-	Self-raised
New base project (phase I)	320,000	136,364	16,036	-	-	-	-	-	152,400	85.00	85.00	-	-	-	Self-raised
Testing line and storage line construction project	124,947	87,077	10,963	-	-	-	-	-	98,040	96.00	96.00	-	-	-	Self-raised
Changzhou rail transit vehicle repair and construction base construction project (phase I)	265,500	74,624	13,938	-	-	-	-	-	88,562	60.52	60.52	6,726	165	4.06	Loan
Beijing Erqi rail vehicle industrial park construction project	480,000	265,148	14,757	(199,169)	-	-	-	-	80,736	97.07	97.07	25,358	5,233	4.41	Loan
Chencang base construction project	600,000	-	69,953	-	-	-	-	-	69,953	11.66	11.66	-	-	-	Self-raised
Others	10,186,141	4,002,117	1,334,466	(1,310,860)	(73,204)	-	2,607	(26,129)	3,928,997	/	/	81,517	3,751	/	Loan, Self-raised
Total	22,142,292	8,631,837	2,072,642	(2,374,596)	(161,364)	-	2,607	(23,694)	8,147,432	/	/	224,981	34,815	/	/

Materials for construction of fixed assets

RMB'000

Item	Closing balance Book value	Closing balance Credit loss allowance	Closing balance Carrying amount	Opening balance Book value	Opening balance Credit loss allowance	Opening balance Carrying amount
Specialised materials	10	–	10	275	–	275
Specialised equipment	87,312	–	87,312	51,000	–	51,000
Others	1,541	–	1,541	607	–	607
Total	88,863	–	88,863	51,882	–	51,882

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21. Right-of-use assets

RMB'000

Item	Plant and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Total
I. Cost					
1. Opening balance	1,661,945	366,571	66,303	22,944	2,117,763
2. Increases	94,009	115,588	5,567	2,149	217,313
(1) Newly rented	92,286	115,579	3,489	2,126	213,480
(2) Translation differences arising from translation of foreign currency financial statements	1,723	9	2,078	23	3,833
3. Decreases	65,829	20,470	2,916	900	90,115
(1) Expiry of lease contract	37,464	30	1,985	66	39,545
(2) Translation differences arising from translation of foreign currency financial statements	28,365	20,440	931	834	50,570
4. Closing balance	1,690,125	461,689	68,954	24,193	2,244,961
II. Accumulated depreciation					
1. Opening balance	492,275	123,859	34,523	17,690	668,347
2. Increases	183,932	39,143	6,294	3,551	232,920
(1) Provision	176,714	39,141	6,270	3,541	225,666
(2) Translation differences arising from translation of foreign currency financial statements	7,218	2	24	10	7,254
3. Decreases	49,554	12,019	1,921	510	64,004
(1) Expiry of lease contract	30,311	30	1,217	66	31,624
(2) Translation differences arising from translation of foreign currency financial statements	19,243	11,989	704	444	32,380
4. Closing balance	626,653	150,983	38,896	20,731	837,263
III. Carrying amount					
1. Carrying amount at the end of the period	1,063,472	310,706	30,058	3,462	1,407,698
2. Carrying amount at the beginning of the period	1,169,670	242,712	31,780	5,254	1,449,416

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

22. Intangible assets

(1). Details of intangible assets

RMB'000

Item	Land use rights	Proprietary technology and technical know-how	Software licences	Customer relationship	Backlog orders and service contracts	Total
I. Cost						
1. Opening balance	16,924,271	4,403,649	3,171,398	355,592	54,371	24,909,281
2. Increases	315,133	69,402	125,014	–	298	509,847
(1) Transfer from construction in progress (Note V, 20)	89,464	–	71,900	–	–	161,364
(2) Additions	225,669	8,437	53,114	–	–	287,220
(3) Transfer from development expenditure (Note V, 23)	–	60,965	–	–	–	60,965
(4) Translation differences arising from translation of foreign currency financial statements	–	–	–	–	298	298
3. Decreases	92,538	13,006	11,942	5,085	–	122,571
(1) Transfer to investment properties (Note V, 18)	15,356	–	–	–	–	15,356
(2) Disposal	75,595	–	3,598	–	–	79,193
(3) Translation differences arising from translation of foreign currency financial statements	1,587	13,006	8,344	5,085	–	28,022
4. Closing balance	17,146,866	4,460,045	3,284,470	350,507	54,669	25,296,557
II. Accumulated amortisation						
1. Opening balance	3,430,718	2,680,991	2,183,126	220,996	54,371	8,570,202
2. Increases	182,815	132,528	141,171	11,567	298	468,379
(1) Provision	182,815	132,528	141,171	11,567	–	468,081
(2) Translation differences arising from translation of foreign currency financial statements	–	–	–	–	298	298
3. Decreases	22,919	15,689	10,750	3,344	–	52,702
(1) Disposal	18,645	57	3,901	–	–	22,603
(2) Transfer to investment properties (Note V, 18)	4,188	–	–	–	–	4,188
(3) Translation differences arising from translation of foreign currency financial statements	86	15,632	6,849	3,344	–	25,911
4. Closing balance	3,590,614	2,797,830	2,313,547	229,219	54,669	8,985,879

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

22. Intangible assets *(continued)*

(1). Details of intangible assets *(continued)*

Item	Land use rights	Proprietary technology and technical know-how	Software licences	Customer relationship	Backlog orders and service contracts	Total
III. Provision for impairment						
1. Opening balance	–	197,883	1,731	115,085	–	314,699
2. Increases	–	–	–	–	–	–
3. Decreases	–	–	–	1,124	–	1,124
(1) Translation differences arising from translation of foreign currency financial statements	–	–	–	1,124	–	1,124
4. Closing balance	–	197,883	1,731	113,961	–	313,575
IV. Carrying amount						
1. Carrying amount at the end of the period	13,556,252	1,464,332	969,192	7,327	–	15,997,103
2. Carrying amount at the beginning of the period	13,493,553	1,524,775	986,541	19,511	–	16,024,380

(2). Details of land use rights of which property right certificates had not been obtained

RMB'000

Item	Carrying amount	Reasons for having not obtained the property right certificates
Project land	276,811	In progress

As at 30 June 2021, the Group had no intangible assets (31 December 2020: Nil) as collateral for the Group to obtain bank loans.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. Development expenditures

RMB'000

Item	Opening balance	Increases: Internal development expenditures	Increases: Others	Decreases: Recognised as intangible assets (Note V, 23)	Decreases: Transfer to profit or loss	Closing balance
Development expenditures	444,024	5,167,964	3,790	60,965	5,086,763	468,050

24. Goodwill

(1). Book value of goodwill

RMB'000

Name of investee	Opening balance	Increases	Decreases	Changes in foreign exchange rates	Closing balance
CRRC Zhuzhou Locomotive Co., Ltd. and its subsidiaries	56,934	–	–	–	56,934
CRRC Tangshan and its subsidiaries	36,379	–	–	–	36,379
CRRC Zhuzhou Institute and its subsidiaries	1,356,481	–	–	(9,935)	1,346,546
Others	21,519	–	–	–	21,519
Total	1,471,313	–	–	(9,935)	1,461,378

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

24. Goodwill *(continued)*

(2). Provision for impairment losses of goodwill

RMB'000

Name of investee or items forming goodwill	Opening balance	Increases	Decreases	Changes in foreign exchange rates	Closing balance
CRRC Zhuzhou Locomotive Co., Ltd. and its subsidiaries	20,156	–	–	–	20,156
CRRC Ziyang and its subsidiaries	1,814	–	–	–	1,814
CRRC Zhuzhou Institute and its subsidiaries	1,120,594	–	–	(7,296)	1,113,298
Total	1,142,564	–	–	(7,296)	1,135,268

25. Deferred tax assets/Deferred tax liabilities

(1). Deferred tax assets before offsetting:

RMB'000

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Expected warranty provisions	7,834,946	1,254,375	7,946,743	1,226,182
Provision for assets impairment	2,325,212	418,771	2,220,015	411,080
Provision for credit losses	3,010,608	503,976	2,651,945	450,428
Unrealised profit from internal transactions	2,185,302	368,879	1,920,845	326,544
Estimated losses	667,301	100,229	811,256	121,963
Government grants	1,963,658	307,705	2,124,264	328,007
Accrued expenses	1,502,094	270,527	1,519,463	274,401
Unpaid employee salaries	311,766	49,851	251,047	40,194
Deductible tax losses	1,664,344	265,962	1,746,460	260,340
Changes in fair value of investments in other equity instruments	618,316	108,205	604,443	108,860
Changes in fair value of receivables under financing	131,201	23,760	113,304	19,863
Others	1,373,862	301,975	1,040,006	216,182
Total	23,588,610	3,974,215	22,949,791	3,784,044

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. Deferred tax assets/Deferred tax liabilities *(continued)*

(2). Deferred tax liabilities before offsetting:

RMB'000

Item	Closing balance Taxable temporary differences	Closing balance Deferred tax liabilities	Opening balance Taxable temporary differences	Opening balance Deferred tax liabilities
Adjustment on fair value of acquisition of subsidiaries	431,958	81,641	389,772	74,056
Depreciation difference due to inconsistency of depreciation period between tax law and accounting	757,069	126,809	779,352	132,490
Changes in fair value of investments in other equity instruments	294,490	53,332	299,238	52,367
Gains on changes in fair value during the holding period of the financial assets at fair value through profit or loss	166,421	41,605	102,636	25,659
Others	350,002	63,350	180,718	30,722
Total	1,999,940	366,737	1,751,716	315,294

(3). Deferred tax assets/liabilities after offsetting:

RMB'000

Item	Amount of offsetting of deferred tax assets and liabilities at the end of the period	Balances of deferred tax assets or liabilities after offsetting at the end of the period	Amount of offsetting of deferred tax assets and liabilities at the beginning of the period	Balances of deferred tax assets or liabilities after offsetting at the beginning of the period
Deferred tax assets	210,112	3,764,103	152,063	3,631,981
Deferred tax liabilities	210,112	156,625	152,063	163,231

(4). Details of unrecognised deferred tax assets:

RMB'000

Item	Closing balance	Opening balance
Deductible temporary differences	12,740,505	12,280,955
Deductible losses	16,694,551	15,704,460
Total	29,435,056	27,985,415

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. Deferred tax assets/Deferred tax liabilities *(continued)*

(5). Deductible tax losses, for which no deferred tax assets were recognised, will expire in the following years:

RMB'000

Year	Closing balance	Opening balance
2021	1,072,075	1,105,983
2022	756,992	839,092
2023	3,540,861	3,638,770
2024	2,235,090	2,325,563
2025	1,982,845	1,991,045
2026	1,580,320	1,273,432
2027	1,325,271	1,360,831
2028	943,259	1,154,905
2029	1,118,469	1,136,623
2030	847,692	878,216
2031	1,291,677	–
Total	16,694,551	15,704,460

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. Other non-current assets

RMB'000

Item	Closing balance	Opening balance
Contract assets (Note V, 9)	19,563,465	14,954,887
Prepayment of intangible assets	707,987	862,548
Prepayment of engineering equipment	615,307	879,877
Restricted funds (Note)	1,827,319	2,070,791
Others	234,810	298,741
Sub-total	22,948,888	19,066,844
Less: Other non-current assets due within one year (Note V,10)	13,365	7,344
Total	22,935,523	19,059,500

Other descriptions:

Note: Between 2017 and 2021, certain bank balances held by the Group's South African subsidiary in local bank accounts in South Africa were blocked by the South African Reserve Bank and the South African Revenue Service on the grounds that the Group's South African subsidiary may be suspected of violating the South African exchange control regulations and tax regulations. As at 30 June 2021, the blocked funds totalled ZAR4.06 billion (equivalent to RMB1.83 billion), and was included in "Other non-current assets". Disclosures of the related contingencies are set out in Note XI, 3.

As at 30 June 2021, prepayments made to related parties of the Group in the balance of other non-current assets are set out in Note X, 5.

27. Short-term borrowings

(1). Category of short-term borrowings:

RMB'000

Item	Closing balance	Opening balance
Credit loans	17,279,291	11,181,837
Pledged loans	274,016	600,333
Total	17,553,307	11,782,170

Description of short-term loans classification:

As at 30 June 2021, the annual interest rate of short-term borrowings ranged from 0.12%-9.57% (31 December 2020: 0.16%-9.00%).

As at 30 June 2021, short-term borrowings from related party of the Group are set out in Note X, 5.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28. Bills payable

RMB'000

Category	Closing balance	Opening balance
Bank acceptances	20,744,673	21,237,395
Commercial acceptances	725,007	1,054,597
Total	21,469,680	22,291,992

29. Accounts payable

(1). Details of accounts payable:

RMB'000

Item	Closing balance	Opening balance
Related parties	3,874,286	4,423,998
Third party	124,277,921	102,148,212
Total	128,152,207	106,572,210

(2). Aging analysis of accounts payable:

RMB'000

Item	Closing balance	Opening balance
Within 1 year	119,282,924	100,193,803
1-2 years	5,259,155	4,043,500
2-3 years	1,802,789	1,051,832
Over 3 years	1,807,339	1,283,075
Total	128,152,207	106,572,210

The ageing of accounts payable of the Group is classified based on the invoicing date.

(3). As at 30 June 2021, details of accounts payable due to related parties are set out in Note X, 5.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

30. Receipts in advance

(1). Details of receipts in advance:

RMB'000

Item	Closing balance	Opening balance
Related parties	2,000	2,000
Third party	129,789	210,951
Total	131,789	212,951

As at 30 June 2021, details of receipts payable due to related parties are set out in Note X, 5.

31. Contract liabilities

(1). Details of contract liabilities

RMB'000

Item	Closing balance	Opening balance
Sale of goods related (Note 1)	26,651,639	27,566,107
Project contracting related (Note 2)	668,558	296,913
Sub-total	27,320,197	27,863,020
Less: Contract liabilities presented under other non-current liabilities	(18,957)	(21,207)
Total	27,301,240	27,841,813

Note 1: As at 30 June 2021, the acceptance and transfer of certain sales of goods of the Group was later than the customer's payment, generating contract liabilities related to the contract on sales of goods.

Note 2: As at 30 June 2021, the Group's contract liabilities related to the project contracting service contracts represented the excess of the settled amount over revenue recognised based on the progress of construction.

(2). As at 30 June 2021, details of current account balances with related parties included in the balance of contract liabilities are set out in Note X, 5.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

32、 Deposits from banks and other financial institutions

RMB'000

Item	Closing balance	Opening balance
Customer deposits of CRRC Finance	2,647,733	4,122,366
Total	2,647,733	4,122,366

As at 30 June 2021, details of related party deposits are set out in Note X, 5.

33. Employee benefits payable

(1). Details of employee benefits payable:

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
I. Short-term employee benefits	1,705,262	11,635,787	11,262,612	2,078,437
II. Post-employment benefits-Defined contribution plan	54,712	1,790,761	1,778,040	67,433
III. Labour expenditures	3,371	585,109	580,898	7,582
IV. Post-employment benefits due within one year-Net liabilities in defined benefit plan (Mainland China)	199,155	23,242	76,405	145,992
V. Post-employment benefits due within one year-Net liabilities in defined benefit plan (other countries and regions)	9,545	9,466	19,011	–
Total	1,972,045	14,044,365	13,716,966	2,299,444

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

33. Employee benefits payable *(continued)*

(2). Presentation of short-term benefits

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
I. Salaries, bonuses, allowances and subsidies	499,832	8,686,459	8,274,039	912,252
II. Welfare benefits	390,657	494,221	506,698	378,180
III. Social insurances	100,491	915,821	854,572	161,740
Including: Medical insurance	94,518	824,083	764,786	153,815
Employment injury insurance	5,885	71,171	69,548	7,508
Maternity insurance	88	20,567	20,238	417
IV. Housing funds	36,832	1,009,573	995,566	50,839
V. Employee union funds and staff education funds	291,344	268,035	221,999	337,380
VI. Others	386,106	261,678	409,738	238,046
Total	1,705,262	11,635,787	11,262,612	2,078,437

(3). Details of defined contribution plan

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
1. Basic pension insurance	26,458	1,332,968	1,316,034	43,392
2. Unemployment insurance	1,687	54,777	52,686	3,778
3. Enterprise annuity	26,567	403,016	409,320	20,263
Total	54,712	1,790,761	1,778,040	67,433

Employees of the Group are required to participate in defined contribution schemes which are administered and operated by the local municipal government. The Group contributes funds which are calculated on certain percentage as agreed by the local municipal government to the scheme. The Group's contributions to the defined contribution plan, including the social pension insurance schemes and the annuity plan, are recognised as expenses when incurred. As of 30 June 2021 and 31 December 2020, there are no forfeited contributions that may be used by the Company and its subsidiaries to reduce the existing level of contribution (as of 30 June 2020 and 31 December 2019: nil).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

34. Tax payable

RMB'000

Item	Closing balance	Opening balance
VAT	681,737	1,099,177
Enterprise income tax	701,938	716,497
Individual income tax	34,632	243,931
City maintenance and construction tax	49,904	72,302
Education surcharges	35,521	52,944
Property tax	39,195	37,695
Land use tax	24,058	23,136
Others	64,364	72,387
Total	1,631,349	2,318,069

35. Other payables

(1). Presented by item

RMB'000

Item	Closing balance	Opening balance
Interests payable	9,538	3,751
Dividends payable	5,522,036	393,754
Other payables	9,673,195	9,552,676
Total	15,204,769	9,950,181

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

35. Other payables *(continued)*

(2). Interests payable

RMB'000

Item	Closing balance	Opening balance
Loan interests	9,538	3,751
Total	9,538	3,751

(3). Dividends payable

RMB'000

Item	Closing balance	Opening balance
Related parties	2,652,525	18,750
Third parties	2,869,511	375,004
Total	5,522,036	393,754

(4). Other payables

RMB'000

Item	Closing balance	Opening balance
Collections on behalf of other parties	2,715,707	2,649,103
Payments for equipment and projects	1,369,592	1,490,807
Deposits and securities, housing fund, and public facilities maintenance funds	1,523,508	1,499,091
Technology royalties and research expenditures	762,799	561,147
Utilities, repair and transportation expenses	407,597	407,871
Others	2,893,992	2,944,657
Total	9,673,195	9,552,676

(5). As at 30 June 2021, details of other payables due to related parties are set out in Note X, 5.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

36. Non-current liabilities due within one year

RMB'000

Item	Closing balance	Opening balance
Long-term borrowings due within one year	2,053,733	1,643,270
Bonds payable due within one year	631,658	3,013,438
Long-term payables due within one year	1,363	3,036
Lease liabilities due within one year	352,074	344,668
Provisions due within one year	2,574,966	2,564,727
Total	5,613,794	7,569,139

37. Other current liabilities

RMB'000

Item	Closing balance	Opening balance
Super short-term financing bills	13,040,321	–
Output VAT tax to be transferred and received VAT in advance	2,796,552	2,859,975
Total	15,836,873	2,859,975

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

37. Other current liabilities *(continued)*

Changes in short-term bonds payable:

RMB'000

Name of bonds	Par value	Issuing date	Bond duration (days)	Issuance amount	Opening balance	Issued during the period	Accrued interests at par value	Amortisation of premium or discounts	Repayment during the period	Closing balance
CRRC's Phase I ultra-short-term financing bonds in 2021	2,000,000	27 January 2021	29	2,000,000	-	2,000,000	3,798	-	(2,003,798)	-
CRRC's Phase II ultra-short-term financing bonds in 2021	2,000,000	27 January 2021	33	2,000,000	-	2,000,000	4,322	-	(2,004,322)	-
CRRC's Phase III ultra-short-term financing bonds in 2021	2,000,000	24 February 2021	33	2,000,000	-	2,000,000	4,032	-	(2,004,032)	-
CRRC's Phase IV ultra-short-term financing bonds in 2021	3,000,000	4 March 2021	35	3,000,000	-	3,000,000	6,674	-	(3,006,674)	-
CRRC's Phase V ultra-short-term financing bonds in 2021	2,000,000	16 March 2021	35	2,000,000	-	2,000,000	4,641	-	(2,004,641)	-
CRRC's Phase VI ultra-short-term financing bonds in 2021	3,000,000	25 March 2021	99	3,000,000	-	3,000,000	19,966	-	-	3,019,966
CRRC's Phase VII ultra-short-term financing bonds in 2021	2,000,000	26 March 2021	30	2,000,000	-	2,000,000	3,896	-	(2,003,896)	-
CRRC's Phase VIII ultra-short-term financing bonds in 2021	3,000,000	21 April 2021	90	3,000,000	-	3,000,000	13,592	-	-	3,013,592
CRRC's Phase IX ultra-short-term financing bonds in 2021	2,000,000	22 April 2021	32	2,000,000	-	2,000,000	3,856	-	(2,003,856)	-
CRRC's Phase X ultra-short-term financing bonds in 2021	2,000,000	27 May 2021	33	2,000,000	-	2,000,000	3,616	-	(2,003,616)	-
CRRC's Phase XI ultra-short-term financing bonds in 2021	3,000,000	27 May 2021	90	3,000,000	-	3,000,000	6,050	-	-	3,006,050
CRRC's Phase XII ultra-short-term financing bonds in 2021	3,000,000	25 June 2021	93	3,000,000	-	3,000,000	587	-	-	3,000,587
CRRC's Phase XIII ultra-short-term financing bonds in 2021	1,000,000	28 June 2021	63	1,000,000	-	1,000,000	126	-	-	1,000,126
Total	/	/	/	30,000,000	-	30,000,000	75,156	-	(17,034,835)	13,040,321

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

38. Long-term borrowings

(1). Category of long-term borrowings

RMB'000

Item	Closing balance	Opening balance
Credit loans	7,094,321	4,207,570
Pledged loans	2,110,594	1,511,889
Mortgage loans	169,611	126,413
Total	9,374,526	5,845,872
Less: Long-term borrowings due within one year (Note V, 36)	(2,053,733)	(1,643,270)
Including: Credit loans	(1,568,061)	(1,281,132)
Pledged loans	(455,287)	(347,438)
Mortgage loans	(30,385)	(14,700)
Long-term borrowings due after one year	7,320,793	4,202,602
Including: Credit loans	5,526,260	2,926,438
Pledged loans	1,655,307	1,164,451
Mortgage loans	139,226	111,713

Other descriptions:

Analysis of long-term borrowings due after one year is as follows:

RMB'000

Subsequent to the balance sheet date	Closing balance	Opening balance
Within a period of more than 1 but not exceeding 2 years	4,826,124	2,112,063
Within a period of more than 2 but not exceeding 5 years	298,741	590,018
Within a period of more than 5 years	2,195,928	1,500,521
Total	7,320,793	4,202,602

As at 30 June 2021, the annual interest rate of long-term borrowings ranged from 0.12%-6.27% (31 December 2020: 0.16%-9.00%).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

39. Bonds payable

(1). Bonds payable

RMB'000

Item	Closing balance	Opening balance
2016 Convertible Bonds	–	2,344,463
Corporate bonds	3,131,658	3,168,975
Total	3,131,658	5,513,438
Less: Bonds payable due within one year (Note V, 36)	(631,658)	(3,013,438)
Bonds payable due after one year	2,500,000	2,500,000

(2). Changes in bonds payable

RMB'000

Bonds Name	Par value	Issuing date	Bond duration	Issuing amount	Opening balance	Issued during the period	Accrued interests at par value	Amortisation of premium or discounts	Exchange gains or losses	Repayment during the period	Closing balance
CSR 2013 Corporate Bonds (Phase I) (Ten-year Term)	1,500,000	22 April 2013	10 years	1,500,000	1,549,895	-	42,501	-	-	(75,000)	1,517,396
CRRC 2016 Phase I Corporate Bonds	2,000,000	26 August 2016	5 years	2,000,000	596,854	-	10,053	-	-	-	606,907
2016 Convertible Bonds	3,918,840	5 February 2016	5 years	3,918,840	2,344,463	-	-	4,464	(19,403)	(2,329,524)	-
CRRC 2020 Phase I Corporate Bonds	1,000,000	27 March 2020	3 years	1,000,000	1,022,226	-	14,629	-	-	(29,500)	1,007,355
Total	/	/	/	8,418,840	5,513,438	/	67,183	4,464	(19,403)	(2,434,024)	3,131,658
Less: Bonds payable due within one year (Note V, 36)	/	/	/	/	(3,013,438)	/	/	/	/	/	(631,658)
Bonds payable due after one year	/	/	/	/	2,500,000	/	/	/	/	/	2,500,000

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

39. Bonds payable *(continued)*

(3). Description of conditions and timing of conversion for convertible bonds

As at 5 February 2016, the Company issued convertible bonds ("2016 Convertible Bonds") amounting to USD600,000,000 in total, the maturity of which is 5 February 2021. Each convertible bond has a face value of USD250,000, and the bond was issued at 100% of the face value with a coupon rate of nil. Main terms of 2016 Convertible Bonds are as follows:

(i) Right of conversion

Holders of 2016 Convertible Bonds have the right to convert convertible bonds under their names into shares at any time during the conversion period at applicable price of conversion. The conversion period for 2016 Convertible Bonds is from 17 March 2016 to 26 January 2021. Bonds holders may be requested to repurchase by the Company i) during the conversion period, or ii) prior to the maturity of the bonds, and exercise any right of conversion attached with the bonds at any time until 10 days before the relevant designated redemption date. If holders of the bonds have exercised their rights during the restricted conversion period (the first and the last days inclusive) based on conditions to require the Company to redeem such bonds, they cannot exercise rights of conversion over the bonds.

The initial price of conversion for 2016 Convertible Bonds is HKD9.65 per share. The price of conversion will be adjusted based on the following items: share consolidation, split and reclassification, capitalisation of profit or reserve, profit distribution, share allotment or share option, placing of other securities, issuing of any ordinary shares at prices lower than the prevailing market prices, other issuance at prices lower than the prevailing market prices, modification to rights of conversion, other issuance to shareholders of ordinary shares etc. The number of conversion is determined based on the principal amount of bonds divided by the price of conversion. The fixed exchange rate of USD against HKD is 7.7902. The Company held the general meeting of shareholders on 18 June 2020, which approved the following: 2019 profit distribution scheme; a cash dividend of RMB0.15 (tax inclusive) per share declared to all shareholders; since 1 July 2020, the price of conversion adjusted to HKD8.77 per share from the adjusted price of HKD9.00 per share.

(ii) Issuer's rights of redemption

Redemption upon maturity

The zero-coupon convertible bonds issued by the Company, which could have been converted into H shares of the Company, matured on 5 February 2021, and so none of the principal amount of the convertible bonds was converted into H shares of the Company. Pursuant to the terms and conditions of the convertible bonds, the Company redeemed all outstanding convertible bonds in the aggregate principal amount of USD360,000,000 on 5 February 2021.

Upon completion of the above redemption, the Company has no outstanding convertible bonds, and in the meantime, the Company's convertible bonds have been cancelled and delisted from the Stock Exchange.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

39. Bonds payable *(continued)*

(4). Accounting of convertible corporate bonds

2016 Convertible Bonds comprise the debt part of the host contract and the embedded derivatives including right of redemption, right of conversion and right of resale. While the embedded derivatives are not closely related to the host contract in terms of economic characteristics and risk, they are separated from 2016 Convertible Bonds, and accounted for as derivative instruments separately.

(i) The debts in the host contract are initially recognised at fair value, amounting to RMB3,488,045,000 approximately. The master debt contract is subsequently measured at amortised cost based on the effective interest rate at 2.53% using the effective interest method in consideration of issuing costs including the underwriting fee.

(ii) The embedded derivatives are initially recognised and subsequently measured at fair value, with related costs of transaction immediately recognised in profit or loss for the period.

Issuing costs associated with 2016 Convertible Bonds including the underwriting fee are allocated based on the proportion of the debts in the host contract and the fair value of the embedded derivatives. Issuing costs associated with the host contract including the underwriting fee of approximate RMB28,745,000 are included in the initial carrying amount of the debts and amortised over the remaining life of the bonds using the effective interest method. Issuing costs associated with the embedded derivatives including the underwriting fee of approximate RMB3,550,000 is immediately recognised in financial expenses for the period.

The independent asset valuer assesses the fair value of the embedded derivatives using the Binominal Model, the assessment reference dates are 31 December 2020 and 31 December 2019 respectively, mainly using the following parameters:

Item	30 June 2021	31 December 2020
Current price of stock	/	HK$2.67
Exercise price of option	/	HK$8.77
Risk-free interest rate	/	0.180%
Weekly volatility of stock price	/	4.2942%

The risk-free interest rate is based on the comprehensive yield rate of 5-year government bonds in the HK market.

The stock price volatility is determined by reference to the historical volatility of the Company's stock price.

The fluctuation of any parameter in the Binominal Model will have impact on the fair value of the embedded derivative of 2016 Convertible Bonds.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

39. Bonds payable *(continued)*

(4). Accounting of convertible corporate bonds *(continued)*

Movements of debts of 2016 Convertible Bonds is as follows:

Item	Debt	Total
Balance at 1 January 2021	2,344,463	2,344,463
Amortisation of premium or discount	4,464	4,464
Exchange gains or losses	(19,403)	(19,403)
Redemption	(2,329,524)	(2,329,524)
Balance at 30 June 2021	–	–
Including: Portion due within 1 year	–	–

40. Lease liabilities

RMB'000

Item	Closing balance	Opening balance
Lease liabilities	1,612,246	1,636,981
Less: Lease liabilities due within one year (Note V, 36)	(352,074)	(344,668)
Lease liabilities due over one year	1,260,172	1,292,313

Analysis of lease liabilities due after one year is as follows:

RMB'000

Subsequent to the balance sheet date:	30 June 2021
1- 2 years	369,526
2- 5 years	562,213
Over 5 years	604,303
Total undiscounted payments	1,536,042
Less: Unrecognised financing expenses	(275,870)
Lease liabilities due over one year	1,260,172

As at 30 June 2021, details of the balance of related party transactions included in the balance of lease liability (including those due within one year) are set out in Note X, 5.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

41. Long-term payables

Presented by item

RMB'000

Item	Closing balance	Opening balance
Long-term payables	21,377	65,448
Special payables	1,363	2,346
Total	22,740	67,794
Less: Non-current liabilities due within one year (Note V, 36)	(1,363)	(3,036)
Portion due over one year	21,377	64,758

(1). Long-term payables

RMB'000

Item	Closing balance	Opening balance
Purchase of fixed assets by instalment	21,377	65,448
Less: Long-term payables due within one year	–	(930)
Portion due over one year	21,377	64,518

(2). Special payables

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
Research & development of the overall solution and prototype system of embedded system of the rail transit equipment	847	–	135	712
Others	1,499	–	848	651
Total	2,346	–	983	1,363
Less: Special payables due within one year	(2,106)	/	/	(1,363)
Special payables due over one year	240	/	/	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Long-term employee benefits payable

(1) Table of long-term employee benefits payable

RMB'000

Item	Closing balance	Opening balance
I. Post-employment benefits – liabilities in defined benefit plan (Mainland China) (Note 1)	1,650,831	1,647,654
II. Post-employment benefits – liabilities in defined benefit plan (Other countries and regions) (Note 2)	1,246,494	1,303,866
III. Other	500,080	528,709
Total	3,397,405	3,480,229

(2) Changes in defined benefit plan (Mainland China)

RMB'000

Item (Note 1)	Current period	Prior period
I. Opening balance	1,846,809	2,094,384
II. Defined benefit cost recognised in profit or loss	26,419	28,769
1. Net interest	26,419	28,769
III. Other changes	(76,405)	(75,119)
1. Paid benefits	(76,405)	(75,119)
IV. Closing balance	1,796,823	2,048,034
Less: Post-employment benefits due within one year – liabilities in defined benefit plan (Note V, 33)	(145,992)	(166,921)
V. Post-employment benefits due after one year – liabilities in defined benefit plan	1,650,831	1,881,113

Other descriptions:

Note 1: For the Company and other domestic subsidiaries, in addition to the basic pension insurance provided by the local government departments, the Group also provides supplementary pension insurance plans and other comprehensive retirement benefit plans for employees retired before 1 July 2007. These plans include monthly living subsidies for employees after their retirement. The Group no longer provides (pays) any supplementary retirement benefits (including supplementary benefits such as retirement salaries, subsidies, medical care) for employees retired since 1 July 2007.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Long-term employee benefits payable *(continued)*

(2) Changes in defined benefit plan (Mainland China) *(continued)*

The Group engaged an independent actuary, Towers Watson (Shenzhen) Consulting Co., Ltd., to estimate the present value of its above retirement benefit plan obligations using the actuarial method based on the expected cumulative welfare unit method. Towers Watson (Shenzhen) Consulting Co., Ltd. is an actuarial institution with professional certification qualifications and a member of the American Academy of Actuaries. The undersigned actuary, Haichuan Wu, is member of the Society of Actuaries and China Association of Actuaries. The plan estimates future cash outflows based on inflation rate and mortality rate assumptions and determines its present value at a discount rate. The discount rate is determined based on the market yield of the national debt that matches the term and currency of the obligations of defined benefit plan on the balance sheet date.

The defined benefit plan exposes the Group to actuarial risks, including interest rate risk, longevity risk and inflation risk. A decrease in the rate of return of national debt will result in an increase in the present value of the defined benefit plan obligations. The present value of the defined benefit plan obligations is calculated based on the optimal estimate of the mortality rate of the participating employees, and an increase in the life expectancy of the plan members will result in an increase in the liabilities in the plan. In addition, the present value of the defined benefit plan obligation is related to the planned future payment standard, and the payment standard is determined based on the inflation rate. Therefore, the increase in the inflation rate will also result in an increase in the liabilities in the plan.

As at 30 June 2021, the average period of defined benefit plan obligations is 5-8 years. Significant actuarial assumptions (discount rate and average growth rate of medical cost) used in determining present value of defined benefit plan obligations are as follows:

Item	30 June 2021 (%)	31 December 2020 (%)
Discount rate	3.25	3.25
Average growth rate of medical cost	7.00/12.00/8.00	7.00/12.00/8.00

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Long-term employee benefits payable *(continued)*

(3) Changes in defined benefit plan (Other countries and regions)

Present value of the defined benefit plan obligations:

RMB'000

Item	Current period	Prior period
I. Opening balance	1,398,316	1,279,142
II. Defined benefit cost recognised in profit or loss	13,525	20,113
1. Net interest	7,972	7,799
2. Cost of service in the current period	5,553	12,314
3. Cost of service in prior years	–	–
III. Defined benefit cost recognised in other comprehensive income	(65,016)	21,105
1. Actuarial gains	13,861	5,324
2. Translation differences arising from translation of foreign currency financial statements	(78,877)	15,781
IV. Other changes	(19,011)	(2,547)
1. Paid benefits	(19,011)	(2,547)
V. Closing balance	1,327,814	1,317,813
Less: Post-employment benefits due within one year – liabilities in defined benefit plan (other countries and regions) (Note V, 33)	–	(17,752)
VI. Post-employment benefits due after one year – liabilities in defined benefit plan (other countries and regions)	1,327,814	1,300,061

Plan assets:

Item	Current period	Prior period
I. Opening balance	84,905	81,671
II. Additions during the period	–	–
III. Translation differences arising from translation of foreign currency financial statements	(3,585)	2,556
IV. Closing balance	81,320	84,227

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Long-term employee benefits payable *(continued)*

(3) Changes in defined benefit plan (Other countries and regions) *(continued)*

Net liabilities in defined benefit plan:

Item (Note 2)	Current period	Prior period
Present value of the defined benefit plan obligations	1,327,814	1,300,061
Less: plan assets	(81,320)	(84,227)
Net liabilities in defined benefit plan	1,246,494	1,215,834

Note 2: Post-employment benefits – net liabilities in defined benefit plan (other countries or regions) are based on the liabilities recognised in the pension plan provided by the Group's subsidiary, German Rubber and Plastics Business ("Germany BOGE") and Blue Engineering Co., Ltd. and its subsidiaries ("Blue Group") and Vossloh Locomotives GmbH and its subsidiaries ("Vossloh Group"), to their employees.

The principal pension plan of Germany BOGE provides a defined benefit plan for all eligible employees in Germany. For Germany BOGE, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2020) was estimated and determined by the third-party evaluation agency, Mercer Deutschland GmbH, based on the expected cumulative benefit unit method. Mercer Deutschland GmbH is an actuarial institution with professional certification qualifications in Germany and a member of the German Association of Actuaries. As at 31 December 2020, the defined benefit plan is in the net liability position of RMB1.239 billion (31 December 2019: net liability of RMB1.154 billion). According to the Pension Plan 2005 ("Rentenordnung 2005") and the Pension Plan 2004 ("Versorgungszusage 2004"), Germany BOGE provides a traditional German pension plan group, including normal and early retirement benefits and benefits for long-term disabled people and survivors of deceased employees.

The plan asset of Germany BOGE is 10,580,000.00 Euros paid to the third-party escrow account on December 27, 2019, which is a restricted asset and its fair value at period-end is approximate to its book value. As at 30 June 2021, fair value of the plan asset of Germany BOGE was RMB81,319,996.00 (31 December 2020: RMB84,904,500.00).

As at 30 June 2021, obligations under these defined benefit plans of Germany BOGE are 6.41% (31 December 2020: 6.41%) covered by the plan assets.

No material surplus or deficiency was noted for the abovementioned plan assets.

The Blue Group's post-employment benefit plan is a defined benefit plan for all eligible employees in Italy under the Italian Civil Code 2120 (2120 del codice civile italiano). For Blue Group, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2020) was estimated and determined by the third-party evaluation agency, MANAGERS & PARTNERS-ACTUARIAL SERVICESS.P.A, based on the expected cumulative benefit unit method. MANAGERS & PARTNERS-ACTUARIAL SERVICESS.P.A is an actuarial institution with professional certification qualifications in Italy and a member of the Italian Society of Actuaries.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Long-term employee benefits payable *(continued)*

(3) Changes in defined benefit plan (Other countries and regions) *(continued)*

The principal pension plan of Vossloh Group provides a defined benefit plan for all eligible employees in German, including normal and early retirement benefits and benefits for survivors of deceased employees. For Vossloh Group, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2020) was estimated and determined by the third-party evaluation agency, Deutsche Pensions Group GmbH, based on the expected cumulative benefit unit method. Deutsche Pensions Group GmbH is an actuarial institution with professional certification qualifications in Germany and a member of the German Association of Actuaries.

As at 30 June 2021, the average period of defined benefit plan obligations is 22 years.

The actuarial valuation of the present value of the defined benefit plan obligations is determined using the expected cumulative benefit unit method. In addition to the assumptions for life expectancy, other significant assumptions are as follows:

Item	30 June 2021 (%)	31 December 2020 (%)
Discount rate	0.34-1.17	0.34-1.17
Expected increase in wages and salaries	0.50-3.00	0.50-3.00
Increase in pension	1.30-2.10	1.30-2.10
Volatility	1.00-6.00	1.00-6.00

The expected increase in wages and salaries depends primarily on factors such as inflation, salary standards and the company's operating conditions.

43. Provisions

RMB'000

Item	Closing balance	Opening balance	Reason
Warranty provisions	9,170,764	8,890,193	Agreement on after-sales services
Others	884,022	879,830	Estimated liquidated damages and onerous contracts to be executed
Total	10,054,786	9,770,023	/
Less: Provisions expected to due within one year (Note V.36)	(2,574,966)	(2,564,727)	/
Provisions due after one year	7,479,820	7,205,296	/

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

44. Deferred income

Details of deferred income

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
Government grants related to assets	5,114,722	268,996	382,865	5,000,853
Government grants related to income	1,636,353	315,173	363,903	1,587,623
Total	6,751,075	584,169	746,768	6,588,476

Items relating to government grants:

RMB'000

Liability	Opening balance	Additional subsidies in the period	Amount recognised in non-operating income during the period	Amount recognised in other income during the period	Other decreases	Closing balance	Related to assets/ Related to income
Fund of science and technology projects and innovation enterprise awards	2,045,183	298,732	476	232,745	141,227	1,969,467	Assets/Income
Compensation for demolition	2,559,246	175,699	277,644	14,136	–	2,443,165	Assets/Income
Land subsidy refund	1,046,710	4,269	8,105	581	–	1,042,293	Assets/Income
Infrastructure subsidies	616,642	–	17,762	11,510	–	587,370	Assets
Discount on imported products	20,035	–	–	2,049	–	17,986	Assets/Income
Others	463,259	105,469	16,238	21,315	2,980	528,195	Assets/Income
Total	6,751,075	584,169	320,225	282,336	144,207	6,588,476	/

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

45. Other non-current liabilities

RMB'000

Item	Closing balance	Opening balance
Contract liabilities (Note V.31)	18,957	21,207
Others	66,962	65,182
Less: Other non-current liabilities due within one year	–	–
Total	85,919	86,389

46. Share capital

RMB'000

	Opening balance	Changes during the period (+/-) Issuance of new shares	Sub-total	Closing balance
Total shares	28,698,864	–	–	28,698,864
Shares with restrictions for sales				
1. RMB ordinary shares	–	–	–	–
Shares without restrictions for sales				
1. RMB ordinary shares	24,327,798	–	–	24,327,798
2. Overseas listed ordinary shares	4,371,066	–	–	4,371,066

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

47. Capital reserve

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
Capital premium (Share capital premium)	40,482,504	161,443	–	40,643,947
Other capital reserve	474,897	6,619	–	481,516
Total	40,957,401	168,062	–	41,125,463

Note: The increase in other capital reserves this year was mainly due to the movement of other equity that the Group shared with joint ventures and associates.

48. Other comprehensive income

RMB'000

Item	Opening balance	Amount incurred for the period: Amount incurred before income tax in the period	Amount incurred for the period: Less: Amount recognised in other comprehensive income in the prior year but transferred to profit or loss for the current year	Amount incurred for the period: Less: Income tax expense	Amount incurred for the period: Net-of-tax amount attributable to shareholders of the Company	Amount incurred for the period: Net-of-tax amount attributable to non-controlling interests	Closing balance
I. Other comprehensive income that will not be reclassified to profit or loss	(1,034,159)	(53,141)	–	614	(44,944)	(8,811)	(1,079,103)
Including: Remeasurement of defined benefit plan	(398,483)	(13,861)	–	–	(5,050)	(8,811)	(403,533)
Changes in fair value of investments in other equity instruments	(635,676)	(39,280)	–	614	(39,894)	–	(675,570)
II. Other comprehensive income that may be reclassified to profit or loss	(258,751)	(159,140)	–	(6,435)	(119,957)	(32,748)	(378,708)
Including: Other comprehensive income recognised under equity method	(26,957)	8,344	–	–	8,344	–	(18,613)
Changes in fair value of other debt investments	(86,563)	(18,356)	–	(5,437)	(1,432)	(11,487)	(87,995)
Credit losses of other debt investments	3,789	(7,077)	–	(998)	(3,706)	(2,373)	83
Translation differences arising from translation of foreign currency financial statements	(149,020)	(142,051)	–	–	(123,163)	(18,888)	(272,183)
Total other comprehensive income	(1,292,910)	(212,281)	–	(5,821)	(164,901)	(41,559)	(1,457,811)

Other description: Changes in the fair value of other bond investments and other bond credit impairment provisions are all due to changes of receivables at FVTOCI.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

49. Special reserve

RMB'000

Item	Opening balance	Increases during the period	Decreases during the period	Closing balance
Production safety expenses	49,957	124,633	124,633	49,957

50. Surplus reserve

RMB'000

Item	Opening balance	Increases during the period	Decreases during the period	Closing balance
Statutory surplus reserve	4,308,789	–	–	4,308,789
Total	4,308,789	–	–	4,308,789

51. Retained earnings

RMB'000

Item	Current period	Prior period
Retained earnings at the beginning of the period	69,736,835	63,115,162
Add: Net profit attributable to shareholders of the Company in the current period	3,988,656	3,692,655
Less: Ordinary share dividends payable	(5,165,796)	(4,304,830)
Other comprehensive income carried forward to retained earnings	–	108,148
Others	14,125	–
Retained earnings at the end of the period	68,573,820	62,611,135

Note 1: The Company's profit distribution plan for 2020 was approved at the 2020 Annual General Meeting of Shareholders held on 19 June 2021. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2020, the annual dividends for 2020 were distributed to all shareholders, and a cash dividend of RMB0.18 (including tax) per share was distributed, totalling approximately RMB5,165,796,000.

Note 2: As at 30 June 2021, the balance of the Group's retained earnings included the surplus reserve already appropriated by the subsidiaries of RMB15,940,162,000 (31 December 2020: RMB15,940,162,000).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

52. Revenue and operating costs

(1). Details of revenue and operating costs

RMB'000

Item	Current period		Prior period	
	Income	Cost	Income	Cost
Principal operating activities	93,720,328	74,260,338	87,898,981	69,317,027
Other operating activities	1,743,687	1,131,407	1,504,345	1,056,450
Total	95,464,015	75,391,745	89,403,326	70,373,477

(2). Category of revenue and operating costs by business type:

RMB'000

Item	Current period		Prior period	
	Income	Cost	Income	Cost
Sale of goods	76,061,418	59,722,321	70,310,868	55,087,829
Rendering of services	18,518,903	15,458,904	18,368,812	15,087,007
Sub-total	94,580,321	75,181,225	88,679,680	70,174,836
Interest income	255,741	38,924	246,550	67,693
Lease income	627,953	171,596	477,096	130,948
Total	95,464,015	75,391,745	89,403,326	70,373,477

(3). Details of revenue from contracts

RMB'000

Rail transit equipment and extended products and services	Current period	Prior period
Categorised by sales region		
Mainland China	85,256,805	82,344,363
Other countries and regions	9,323,516	6,335,317
Total	94,580,321	88,679,680

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

52. Revenue and operating costs *(continued)*

(4). Description on performance obligations

(i) Revenue from sales of goods (revenue recognised at a certain time point)

The goods sold by the Group are mainly rail transit equipment and its extended products. The Group recognises revenue when the customer obtains control of the goods, i.e. at the time of acceptance and delivery of the goods.

(ii) Revenue from rendering of services (revenue recognised within a certain period of time)

The Group's revenue from rendering of services is mainly extended services of railway transportation equipment. The Group recognises the revenue within a certain period of time according to the progress of the performance as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

53. Taxes and surcharges

RMB'000

Item	Current period	Prior period
City maintenance and construction tax	155,239	140,086
Education surcharges	108,506	99,895
Property tax	183,173	166,610
Land use tax	136,475	131,068
Vehicle and vessel use tax	587	650
Stamp duty	76,845	71,267
Others	23,957	26,716
Total	684,782	636,292

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

54. Selling expenses

RMB'000

Item	Current period	Prior period
Expected warranty provisions	1,269,267	1,047,375
Employee benefits	876,554	731,214
Travel expenses	109,126	75,385
Others	1,012,634	942,125
Total	3,267,581	2,796,099

55. Administrative expenses

RMB'000

Item	Current period	Prior period
Employee benefits	3,565,049	3,093,681
Depreciation charge	467,729	471,860
Amortisation of intangible assets	296,444	320,594
Others	1,614,032	1,494,184
Total	5,943,254	5,380,319

56. Research and development expenses

RMB'000

Item	Current period	Prior period
Employee benefits	2,115,697	1,793,234
Depreciation charge	281,310	279,145
Amortisation of intangible assets	113,594	98,228
Others	2,576,162	2,252,180
Total	5,086,763	4,422,787

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

57. Financial expenses

RMB'000

Item	Current period	Prior period
Interest expenses	505,561	440,058
Less: Capitalisation of interest	(34,815)	(56,696)
Interest expense on lease liabilities	32,558	20,775
Interest income	(374,334)	(498,283)
Exchange gains or losses	71,201	497,715
Handling charge of financial institutions	133,340	106,783
Actuarial interest adjustment	39,463	41,567
Others	(42,079)	(65,569)
Total	330,895	486,350

58. Other income

RMB'000

Item	Current period	Prior period
VAT Refund	75,626	92,936
Scientific and technological projects fund	319,964	237,459
Others	220,651	243,786
Total	616,241	574,181

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

59. Investment income

RMB'000

Item	Current period	Prior period
Income from long-term equity investment accounted for under equity method (Note V, 15)	(46,767)	109,904
Dividend income from investments in other equity instruments during the holding period	12,122	26,198
Investment income from debt investments during the holding period	245	6,864
Investment income from disposal of debt investments	35,438	–
Disposal of held-for-trading financial assets	5,920	72,983
Investment income from charges in the fair value	88,761	29,563
Loss from derecognition of financial assets measured at amortised cost	(66,690)	(74,182)
Gains on debt restructuring	108,318	–
Others	2,669	–
Total	140,016	171,330

60. Gains from changes in fair value

RMB'000

Sources of gains from changes in fair value	Current period	Prior period
Held-for-trading financial assets	76,505	56,852
Including: (Losses) gains on fair value changes of derivative financial instruments	244	(150)
Gains from changes in fair value of investments in equity instruments	67,950	44,763
Others	8,311	12,239
Gains on changes in fair value of 2016 Convertible Bonds-embedded derivative financial instruments	–	5,419
Total	76,505	62,271

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

61. Impairment losses under expected credit loss model

RMB'000

Item	Current period	Prior period
Losses on bad debts of bills receivable	(4,225)	(29,210)
Losses on bad debts of accounts receivable	116,876	61,456
Losses on bad debts of other receivables	(2,413)	11,982
Losses of credit impairment on contract assets	–	66,100
Losses of credit impairment on receivables at FVTOCI	(7,077)	605
Losses of credit impairment on loans and advances	(641)	(11,057)
Losses of credit impairment on long-term receivables	222,410	392,910
Others	(2,313)	471
Total	322,617	493,257

62. Assets impairment losses

RMB'000

Item	Current period	Prior period
Loss on decline in value of inventories	86,871	60,337
Impairment losses of long-term equity investments	392	1,602
Impairment losses of goodwill	–	154,724
Impairment losses of contract assets	54,051	–
Others	(16,326)	39,200
Total	124,988	255,863

63. Gains on disposal of assets

RMB'000

Item	Current period	Prior period
Gains on disposal of fixed assets	166,176	18,906
Gains on disposal of intangible assets	336,759	289
Total	502,935	19,195

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

64. Non-operating income

RMB'000

Item	Current period	Prior period	Amount included in non-recurring gain or loss for the period
Government grants	478,755	323,359	478,755
Liquidated damages, fines and compensation	49,172	65,222	49,172
Unpayable amount	2,751	12,061	2,751
Gains on retirement of assets	8,980	6,766	8,980
Income claim	93,440	51,309	93,440
Others	52,031	61,552	52,031
Total	685,129	520,269	685,129

Government grants included in profit or loss

RMB'000

Item	Current period	Prior period	Related to assets/ Related to income
Compensation for demolition, etc.	408,731	190,385	Assets/Income
Infrastructure subsidy	17,762	16,139	Assets
Land subsidy return	8,105	11,789	Assets
Others	44,157	105,046	Assets/Income
Total	478,755	323,359	/

65. Non-operating expenses

RMB'000

Item	Current period	Prior period	Amount included in non-recurring gain or loss for the period
Penalty expenses	15,987	36,772	15,987
Relocation expenditure	325,324	213,115	325,324
Losses on retirement of assets	17,388	35,491	17,388
Donation expenditure	15,378	30,122	15,378
Flood control fund	6,471	11,923	6,471
Others	44,300	27,145	44,300
Total	424,848	354,568	424,848

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

66. Income tax expenses

(1) Table of income tax expenses

RMB'000

Item	Current period	Prior period
Current income tax expenses	1,185,550	1,259,181
Deferred income tax expenses	(136,547)	(201,997)
Total	1,049,003	1,057,184

(2) Reconciliation of accounting profits and income tax expenses

RMB'000

Item	January – June 2021	January – June 2020
Profit before tax	5,907,368	5,551,560
Income tax expenses at statutory tax rate (25%)	1,476,842	1,387,890
Effect of different tax rates applied by subsidiaries	(485,152)	(375,076)
Effect of adjustment of income tax in the previous year	87,843	41,947
Effect of income free of tax	(3,031)	(6,550)
Effect of joint ventures and associates	11,692	(27,476)
Effect of non-deductible costs, expense and losses	39,141	136,403
Effect of using deductible losses for which no deferred tax assets were recognised for the prior period	(72,744)	(167,751)
Effect of deductible temporary differences or deductible losses for which no deferred tax assets were recognised in the current period	425,686	378,696
Other tax incentives (Note)	(431,274)	(310,899)
Income tax expenses	1,049,003	1,057,184

Other descriptions:

Note: Other tax incentives are mainly weighted deduction performed on technology research and development expenditures.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

67. Items in the cash flow statement

(1). Other cash receipts relating to operating activities

RMB'000

Item	Current period	Prior period
Government grants	606,500	323,245
Interest income	236,487	464,935
Others	1,026,196	1,677,716
Total	1,869,183	2,465,896

(2). Other cash payments relating to operating activities

RMB'000

Item	Current period	Prior period
Development and design expenses of products	2,572,293	2,252,180
Transportation, packing and insurance expenses of products	532,557	543,085
Marketing expenses	366,665	313,197
Expenditures on warranty provisions	216,990	170,462
Administrative office expenditure	265,469	204,255
Expenditure on water, electricity and energy, etc.	62,852	69,638
Others	1,307,095	1,466,299
Total	5,323,921	5,019,116

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

68. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

RMB'000

Supplementary information	Current period	Prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	4,858,365	4,494,376
Add: Assets impairment losses	124,988	255,863
Impairment losses under expected credit loss model	322,617	493,257
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	3,104,859	3,039,322
Amortisation of right-of-use assets	225,666	189,734
Amortisation of intangible assets	468,081	480,564
Amortisation of long-term deferred expenses	36,146	32,287
Losses on disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)	(494,527)	10,787
Losses from changes in fair value ("-" for gains)	(76,505)	(62,271)
Financial expenses ("-" for income)	440,558	525,985
Losses arising from investments ("-" for gains)	(140,016)	(171,330)
Decrease in deferred tax assets and deferred tax liabilities	(136,547)	(201,997)
Increase in inventories	(11,971,128)	(15,546,193)
Decrease in operating receivables	(28,743,638)	(18,970,907)
Increase in operating payables	20,409,740	10,645,105
Net cash flow from operating activities	(11,571,341)	(14,785,418)
2. Net changes in cash and cash equivalents:		
Closing balance of cash	21,467,344	25,594,212
Less: Opening balance of cash	29,840,378	35,819,586
Add: Closing balance of cash equivalents	–	–
Less: Opening balance of cash equivalents	–	–
Net increase in cash and cash equivalents	(8,373,034)	(10,225,374)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

68. Supplementary information to the cash flow statement *(continued)*

(2) Composition of cash and cash equivalents

RMB'000

Item	Closing balance	Opening balance
I. Cash	21,467,345	29,840,378
Including: Cash on hand	1,298	1,950
Bank deposits available on demand	21,466,046	29,838,428
III. Closing balance of cash and cash equivalents	21,467,344	29,840,378

69. Assets with restrictive ownership title or right of use

RMB'000

Item	Carrying amount at the end of the period	Reason for restriction
Cash at bank and on hand	2,717,292	Note V.1
Bills receivable	3,786,177	Note V.3
Accounts receivable	8,465	Note V.4
Receivables at FVTOCI	73,083	Note V.5
Long-term receivables (including those due within one year)	2,529,588	Note V.14
Fixed assets	180,433	Note V.19
Other non-current assets	2,505,797	Note V.26
Total	11,800,835	/

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

70. Foreign-currency monetary items

(1). Foreign-currency monetary items

RMB'000

Item	Foreign currency balance as at the end of the period	Exchange rate	Translated RMB balance as at the end of the period
Cash at bank and on hand			
Including: USD	357,542	6.4601	2,309,757
EUR	222,955	7.6862	1,713,675
HKD	296,794	0.8321	246,956
AUD	60,272	4.8528	292,487
ZAR	2,657,397	0.4501	1,196,002
Others	/	/	712,928
Financial assets held for trading			
Including: USD	35,836	6.4601	231,503
EUR	348	7.6862	2,672
Accounts receivable			
Including: USD	283,073	6.4601	1,828,681
EUR	131,383	7.6862	1,009,838
HKD	109,392	0.8321	91,023
AUD	148,078	4.8528	718,591
ZAR	2,844	0.4501	1,280
Others	/	/	210,072
Other receivables			
Including: USD	3,505	6.4601	22,643
EUR	5,266	7.6862	40,472
HKD	199,030	0.8321	165,609
AUD	3,768	4.8528	18,284
ZAR	2,613	0.4501	1,176
Others	/	/	76,265
Other non-current assets			
Including: ZAR	4,060,120	0.4501	1,827,319
Debt investments (including those due within one year)			
Including: USD	162,242	6.4601	1,048,098
Long-term receivables (including those due within one year)			
Including: USD	127,400	6.4601	823,016
EUR	1,840	7.6862	14,145
Short-term loans			
Including: USD	350,198	6.4601	2,262,314
EUR	159,208	7.6862	1,223,708
HKD	2,988	0.8321	2,486
AUD	42,056	4.8528	204,087
Others	/	/	412,652

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

70. Foreign-currency monetary items

(1). Foreign-currency monetary items

RMB'000

Item	Foreign currency balance as at the end of the period	Exchange rate	Translated RMB balance as at the end of the period
Accounts payable			
Including: USD	91,321	6.4601	589,944
EUR	111,380	7.6862	856,088
HKD	916	0.8321	762
AUD	93,867	4.8528	455,517
Others	/	/	576,859
Other payables			
Including: USD	114,025	6.4601	736,615
EUR	9,996	7.6862	76,829
HKD	53,723	0.8321	44,702
AUD	1,334	4.8528	6,476
Others	/	/	404,417
Long-term borrowings (including those due within one year)			
Including: USD	2,918	6.4601	18,853
EUR	23,561	7.6862	181,093
HKD	89,548	0.8321	74,511
AUD	46	4.8528	222
Others	/	/	–
Lease liabilities (including those due within one year)			
Including: USD	2,009	6.4601	12,980
EUR	59,356	7.6862	456,225
HKD	6,727	0.8321	5,597
AUD	2,827	4.8528	13,719
Others	/	/	11,850

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

70. Foreign-currency monetary items *(continued)*

(2). Significant overseas operating entities

Name of overseas business entity	Main business place	Functional currency
CSR NEW MATERIAL TECHNOLOGIES GMBH	Germany	EUR
Specialist Machine Developments	Britain	GBP

VI. CHANGE IN CONSOLIDATION SCOPE

No significant changes in the consolidation scope was occurred for current period.

VII. INTERESTS IN OTHER ENTITIES

1、 Interests in subsidiaries

(1). Composition of the Group

The details of the Company's subsidiaries are set out in Note I. 2.

(2). Significant non-wholly owned subsidiaries

RMB'000

Name of the Subsidiary	Proportion of non-controlling interest (%)	Net profit or loss attributable to non-controlling interests	Dividends distributed to non-controlling interests	Non-controlling interests at 30 June 2021
CRRC Times Electric	46.81	336,967	–	11,904,421
Zhuzhou Times New Material	60.45	100,084	60,661	3,064,905
CRRC Changchun Railway Vehicles Co., Ltd.	6.46	105,137	33,680	2,392,710

VII. INTERESTS IN OTHER ENTITIES *(continued)*

1、 Interests in subsidiaries *(continued)*

(3). Key financial information of significant non-wholly owned subsidiaries

RMB'000

Name of the Subsidiary	Balance at the end of the period						At the beginning of the year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
CRRC Times Electric	27,127,703	7,726,078	34,853,781	8,234,251	1,658,319	9,892,570	26,425,482	7,440,239	33,865,721	7,877,341	1,728,790	9,606,131
Times New Material	11,808,257	5,207,786	17,016,043	9,461,400	2,600,167	12,061,567	10,631,875	5,364,553	15,996,428	8,666,373	2,391,729	11,058,102
CRRC Changchun Railway Vehicles Co., Ltd.	55,932,805	13,932,472	69,865,277	45,283,209	1,651,421	46,934,630	47,401,433	14,185,270	61,586,703	38,428,655	1,662,194	40,090,849

Name of the Subsidiary	January – June 2021				January – June 2020 (restated)			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
CRRC Times Electric	5,298,120	702,973	697,258	(2,133,689)	5,570,060	684,789	708,586	296,512
Times New Material (Note)	7,626,659	153,207	108,689	(287,633)	5,860,645	2,718	26,956	740,393
CRRC Changchun Railway Vehicles Co., Ltd.	14,843,981	1,422,663	1,428,213	(3,802,581)	13,220,979	929,164	937,107	(4,577,834)

Note: In 2020, Times New Material, with the entire equity interest in its subsidiary, Zhuzhou Times RUIWEI Anti-vibration Equipment Limited, and Qingdao Sri Technology Co., Ltd. (a wholly-owned subsidiary of CRRC Sifang Institute Co., Ltd.), with the entire equity interest in its subsidiary, Qingdao Borui Zhiyuan Damping Technology Co., Ltd. ("Borui Zhiyuan"), jointly increased the capital of a joint venture, Zhuzhou CRRC XINRUI Anti-vibration Equipment Limited ("CRRC Xinrui"). Upon the completion of the capital increase, both CRRC Xinrui and Borui Zhiyuan were included in the scope of consolidation of Time New Material. The above transaction is a business combination under common control, and in accordance with the relevant provisions of the Accounting Standards for Business Enterprises, the consolidated financial data of Times New Material is subject to retrospective adjustment.

VII. INTERESTS IN OTHER ENTITIES *(continued)*

2、 Transactions that cause changes in the Group's interests in subsidiaries that do not result in loss of control

There is no such transaction in the current period.

3、 Equity in associates or joint ventures

(1). Significant associates or joint ventures

RMB'000

Name of associate	Main business place	Place of incorporation	Nature of business	Shareholding proportion (%) Direct	Indirect	Accounting methods for investment in joint ventures or associates
China United Insurance	Beijing	Beijing	Finance	13.0633	–	Equity method

The Group holds 13.0633% voting power of China United Insurance. The Group has the right to assign one director to the board of directors of China United Insurance and has substantive power of decision-making participation, therefore has significant influence over China United Insurance.

(2). Key financial information of significant associates

RMB'000

China United Insurance	Balance at the end of the period/Amount for the current period	Balance at the beginning of the period/Amount for the prior period
Total assets	106,335,702	81,029,368
Total liabilities	86,420,569	61,561,810
Non-controlling interests	2,138,639	2,103,937
Equity attributable to shareholders of the parent company	17,776,494	17,363,621
Group's share of net assets	2,322,197	2,268,262
– Goodwill	2,982,365	2,982,365
Carrying amount of equity investments in associates	5,304,562	5,250,627
Operating income	27,522,201	25,113,079
Net profit	524,734	686,829
Net profit attributable to owners of the parent company	472,805	615,482
Other comprehensive income attributable to owners of the parent company	16,618	(46,134)
Total comprehensive income attributable to owners of the parent company	489,423	569,348
Dividends received from associates year in the current	10,000	22,000

VII. INTERESTS IN OTHER ENTITIES *(continued)*

3、 Equity in associates or joint ventures *(continued)*

(3). Financial information of insignificant joint ventures and associates

RMB'000

	Balance at the end of the period/ Amount for the current period	Balance at the beginning of the period/ Amount for the prior period
Joint ventures:		
Aggregate carrying amount of investments	3,757,856	2,793,411
Aggregate amount calculated based on the shareholding proportion		
– Net profit	(6,585)	37,168
– Other comprehensive income	6,422	2,398
– Total comprehensive income	(163)	39,566
Associates:		
Aggregate carrying amount of investments	8,094,232	8,075,465
Aggregate amount calculated based on the shareholding proportion		
– Net profit	(101,946)	(9,576)
– Other comprehensive income	(249)	–
– Total comprehensive income	(102,195)	(9,576)

4、 Interests in structured entities not included in the consolidated financial statements

Other descriptions about Interests in structured entities that are not included in consolidated financial statements:

On 30 June 2021, the structured entities that are related with the Group but not included in consolidated financial statements are special-purpose trusts, which are mainly engaged in CRRC trust asset-backed notes and manage, operates and handles the trust property for the benefit of the holder of trust asset-backed notes, and makes payments to the holder of trust asset-backed notes according to the trust contract. The Group, as a special-purpose initiator of the trust and asset service institution, only provides collection service according to the agreement and does not charge service fee. The Group holds no share in the special-purpose trust. At 30 June 2021, the structured entity has total assets of RMB2,890,958,000. The Group didn't provide financial support to the structured entity.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS

The Group's main financial instruments include cash and bank balances, held-for-trading financial assets, bills receivable, accounts receivable, receivables at FVTOCI, a part of other receivables, a part of non-current assets due within one year, a part of other current assets, loans and advances to customers, debt investments, long-term receivables, equity instruments at FVTOCI, other non-current financial assets, short-term borrowings, deposits from banks and other financial institutions, bills payable, accounts payable, other payables, a part of non-current liabilities due within one year, a part of other current liabilities, long-term borrowings, bonds payable, lease liabilities, a part of long-term payables, a part of other non-current liabilities. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

1. Category of financial instruments

(1). Carrying amount of financial assets

RMB'000

Item	30 June 2021				
	At FVTPL	At amortised cost	Classified as at FVTOCI	Designated at FVTOCI	Total
Cash at bank and on hand	–	35,495,050	–	–	35,495,050
Financial assets held for trading	8,871,048	–	–	–	8,871,048
Bills receivable	–	11,478,414	–	–	11,478,414
Accounts receivable	–	96,215,630	–	–	96,215,630
Receivables at FVTOCI	–	–	7,843,640	–	7,843,640
Other receivables	–	3,847,003	–	–	3,847,003
Other current assets (Bond investment)	–	175,333	–	–	175,333
Loans and advances to customers (including those due within one year)	–	12,476,385	–	–	12,476,385
Debt investments (including those due within one year)	–	2,652,969	–	–	2,652,969
Long-term receivables (including those due within one year)	–	17,537,589	–	–	17,537,589
Investments in other equity instruments	–	–	–	2,618,364	2,618,364
Other non-current financial assets	572,847	–	–	–	572,847
Total	9,443,895	179,878,373	7,843,640	2,618,364	199,784,272

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Category of financial instruments *(continued)*

(2). Carrying amount of financial liabilities

RMB'000

Item	30 June 2021 Financial liabilities at FVTPL	Other financial liabilities	Total
Short-term loans	–	17,553,307	17,553,307
Borrowings from the central bank	–	869,581	869,581
Deposits from banks and other financial institutions	–	2,647,733	2,647,733
Placements from banks and other financial institutions	–	1,000,111	1,000,111
Bills payable	–	21,469,680	21,469,680
Accounts payable	–	128,152,207	128,152,207
Employee benefits payable (except for defined benefit plan)	–	2,153,452	2,153,452
Other payables	–	15,204,769	15,204,769
Other current liabilities (short-term financing bills)	–	13,040,321	13,040,321
Long-term borrowings (including those due within one year)	–	9,374,526	9,374,526
Bonds payable (including those due within one year)	–	3,131,658	3,131,658
Lease liabilities (including those due within one year)	–	1,612,246	1,612,246
Long-term payables (including the portion due within one year)(except for special payables)	–	21,377	21,377
Total	–	216,230,968	216,230,968

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Credit risk

Credit risk represents the risk that the failure to perform obligation by one party of the financial instruments will cause financial loss to the other party.

As at 30 June 2021, the Group's maximum exposure to credit risk which will cause losses of financial assets, contract assets and lease accounts receivables to the Group due to failure to discharge an obligation by the counterparties is arising from:

(i) The carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.

(ii) The amount of external guarantees disclosed in Note XI.2.

The Group only has transactions with recognised and reputable third parties. According to the Group's policies, for all the customers that require to make transactions on credit, the Group needs to review the credit of the customers and determines the manner of sales on the basis of customers' credit grading, credit line and credit period. For sales on credit, the payment period and the amount on credit need to be specified in the sales contract, with the payment period not exceeding credit period, and the accumulated amount of credit sales shall not exceed the credit line. For cash on delivery, the goods are not shopped until all the collection procedures are completed, so as to ensure the Group will not be exposed to significant credit loss.

The specific method used by the Group to assess whether the credit risk of financial instruments has increased significantly since initial recognition and the basis for determining that the financial assets are impaired, as well as the policies of immediate write-off of financial assets etc. are set out in Note III, 11.

The Group's credit risk exposure to any single financial instrument is limited because the bank deposits are deposited with banks with high credit ratings.

China State Railway Group Co., Ltd. is one of the major customers for the Group (including the China State Railway Group Co., Ltd. it belongs to and other subsidiaries, together as "State Railway Group") accounts for a larger proportion of the Group's revenue, accordingly, the accounts receivable from such customer also account for a larger proportion. The Group's management believes that the customer is of reliable and good reputation, therefore the Group has no significant credit risk in respect of the receivables from this customer. Except for this customer, the Group has no other significant concentration of credit risk.

The Group's major operating activities and corresponding concentration of operating risk are located in Mainland China.

As at 30 June 2021, included in the Group's accounts receivable, the accounts receivable from the top one and top five customers respectively account for 53.4% (31 December 2020: 53.4%) and 58.3% (31 December 2020: 60.1%).

As at 30 June 2021, included in the Group's long-term receivables (including those due within one year), the long-term receivables from top one and top five customers account for 4.1% (31 December 2020: 7.0%) and 19.0% (31 December 2020: 23.2%) respectively.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Credit risk *(continued)*

(1). The credit risk exposure of the Group's financial assets and other items

RMB'000

Item	Note V	Carrying amount at 30 June 2021 12-months ECL	Lifetime ECL (No credit loss occurred)	Lifetime ECL (Credit loss occurred)	Total
Financial assets measured at amortised cost:					
Cash at bank and on hand	1	35,495,050	–	–	35,495,050
Bills receivable	3	11,506,527	–	–	11,506,527
Accounts receivable	4	–	93,732,795	7,206,241	100,939,036
Other receivables	7	3,292,571	–	1,346,876	4,639,447
Other current assets (bonds investments)	11	175,333	–	–	175,333
Loans and advances to customers (including those due within one year)	12	12,620,056	–	–	12,620,056
Debt investments (including those due within one year)	13	–	–	2,652,969	2,652,969
Long-term receivables (including those due within one year)	14	–	11,518,403	9,838,096	21,356,499
Financial assets classified as at FVTOCI:					
Receivables at FVTOCI	5	7,843,640	–	–	7,843,640
Other items:					
Contract assets (including non-current portion)	9	–	40,687,287	130,520	40,817,807

Note 1: For accounts receivable and contract assets formed under revenue standards as well as financing lease receivables formed under lease standards, the Group adopts simple method to measure the amount of lifetime ECL.

The movements of loss allowance for the Group's bills receivable, accounts receivable, receivables at FVTOCI, other receivables, contract assets, debt investments and long-term receivables are detailed in Note V 3, V 4, V 5, V 7, V 9, V 13 and V 14.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Liquidity risk

Liquidity risk represents the risk that the entity encounters shortage of funds when performing the obligation relating to financial liabilities. The Group's objective is to maintain the balance between the continuity and flexibility of financing by comprehensively using multiple financing measures such as settlement with notes, bank borrowing, short-term financing bonds and corporate bonds etc. and adopting proper combination of long-term and short-term financing as well as the method of optimizing financing structure. The Group has obtained bank credit from several commercial banks to meet its need of working capital and capital expenditures. The management has been monitoring the Group's liquidity so as to ensure the Group has sufficient liquidity to repay all the due debts and get maximum benefits from its financial resources.

(1). Maturity analysis of non-derivative financial liabilities and lease liabilities based on undiscounted contract cash flows

RMB'000

Item	30 June 2021 Within 1 year (inclusive)	1-2 years (inclusive)	2 -5 years (inclusive)	Over 5 years	Total
Short-term loans	18,129,874	–	–	–	18,129,874
Deposits from banks and other financial institutions	2,647,733	–	–	–	2,647,733
Bills payable	21,469,680	–	–	–	21,469,680
Accounts payable	128,152,207	–	–	–	128,152,207
Other payables	15,204,769	–	–	–	15,204,769
Other current liabilities	13,064,701	–	–	–	13,064,701
Long-term borrowings (including those due within one year)	2,183,801	4,928,817	500,042	2,394,335	10,006,995
Bonds payable (including those due within one year)	701,694	2,617,714	–	–	3,319,408
Long-term payables (including those due within one year) (except for special payables)	–	247	29,354	1,234	30,835
Lease liabilities (including those due within one year)	352,074	369,526	562,213	604,303	1,888,116
Total	201,906,533	7,916,304	1,091,609	2,999,872	213,914,318

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market price. The market risk mainly includes interest rate risk, currency risk and price risk.

(1). Interest rate risk

Interest risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market interest rate. The risk of fluctuations in the fair value of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's fixed-rate borrowings, bonds payable, other current assets, and long-term receivables. The risk of fluctuations in the future cash flows of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's liabilities with floating interest rates.

The following table sets out the sensitivity analysis of interest rate risk, reflecting the effect of reasonably possible changes in interest rate on net profit (via effect on variable-rate borrowings) (with effect of capitalisation of borrowing costs considered) under the assumption that all the other variables held constant.

Item	January – June 2021		January – June 2020	
Rate of variable-rate borrowings	Increased by 25 basis points	Decreased by 25 basis points	Increased by 25 basis points	Decreased by 25 basis points
(Decrease)/increase in net profit (RMB'000)	(21,622)	21,622	(18,981)	18,981

(2). Other price risk

The Group's price risk is mainly arising from held-for-trading equity instrument investments and equity instruments at fair value through other comprehensive income. The Group adopts combination of multiple equity securities to mitigate the price risk of investments in equity securities.

(3). Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with its operating activities (settled in foreign currency other than the functional currency).

The Group's operating activities are mainly located in China and most of the transactions are denominated in RMB, except for certain sales, purchases and borrowings which are settled in foreign currency. The fluctuation of the exchange rate between such foreign currency and RMB will affect the Group's operating performance.

The Group tries to mitigate the currency risk to the minimum extent mainly by closely monitoring the changes in market exchange rate and actively adopting responsive measures. In the export business, the Group's policy is to provide quotation based on the expected changes of exchange rate in respect of the external contracts under negotiation; during the negotiation, it is required to specify the range of exchange rate and the risks on the buyer and seller respectively. In import business, the enterprises are required to seize the moment of foreign exchange settlement for import so as to control the currency risk.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Market risk *(continued)*

(3). Currency risk *(continued)*

(i) Foreign currency financial assets and financial liabilities

RMB'000

Item	30 June 2021	31 December 2020
Foreign currency financial assets:		
Cash at bank and on hand	6,471,805	6,773,815
Financial assets held for trading	234,175	236,598
Accounts receivable	3,134,980	2,487,950
Other receivables	318,334	447,499
Other current assets	–	392,760
Debt investments (including those due within one year)	1,048,098	1,251,587
Long-term receivables (including those due within one year)	837,161	285,283
Other non-current assets	1,827,319	2,070,791
Total	13,871,872	13,946,283
Foreign currency financial liabilities:		
Short-term loans	4,105,247	2,840,607
Accounts payable	2,479,170	3,758,112
Other payables	1,269,039	3,811,546
Long-term borrowings (including those due within one year)	274,679	220,130
Bonds payable (including those due within one year)	–	2,344,463
Total	8,128,135	12,974,858

The following table sets out the sensitivity analysis on currency risk, reflecting the effect of reasonably possible changes in exchange rate of EUR, USD and ZAR on net profit under the assumption that all the other variables held constant. As the effect changes in exchange rate of other currencies is not significant, related sensitivity analysis is not presented.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Market risk *(continued)*

(3). Currency risk *(continued)*

(i) Foreign currency financial assets and financial liabilities *(continued)*

EUR	30 June 2021		31 December 2020	
Against RMB	Increased by 1.86%	Decreased by 1.86%	Increased by 7.49%	Decreased by 7.49%
(Decrease)/increase in net profit (RMB'000)	2,963	(2,963)	(53,193)	53,193

USD	30 June 2021		31 December 2020	
Against RMB	Increased by 1.52%	Decreased by 1.52%	Increased by 8.50%	Decreased by 8.50%
(Increase)/Decrease in net profit (RMB'000)	4,123	(4,123)	87,318	(87,318)

ZAR	30 June 2021		31 December 2020	
Against RMB	Increased by 7.78%	Decreased by 7.78%	Increased by 26.53%	Decreased by 26.53%
(Increase)/Decrease in net profit (RMB'000)	115,485	(115,485)	609,603	(609,603)

5. Transfer of financial assets

At 30 June 2021, the Group endorsed receivables at FVTOCI of RMB7,191,884,000 (31 December 2020: RMB13,151,648,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB1,898,370,000 (31 December 2020: RMB4,353,031,000) to bank to obtain currency funds. The Group believes that the risk and rewards of the ownership of such endorsed or discounted bills receivable have been substantially transferred to the supplier or discounting bank, therefore derecognised such endorsed or discounted bills receivable. If the acceptor can't cash such notes, according to relevant laws and regulations of China, the Group is held jointly liable for such bills receivable. The Group believes that as the acceptor is of good reputation, there is minor risk of the acceptor's failure to cash the notes upon maturity. At 30 June 2021, if the acceptor fails to cash such notes upon maturity, i.e. the Group's maximum exposure to loss is equivalent to the amount that the Group should pay the supplier or discounting bank in respect of such endorsed or discounted notes. For all the bills receivable endorsed to suppliers or discounted to bank, the maturity is within 1 year after the end of reporting year.

At 30 June 2021, the Group endorsed bills receivable of RMB3,408,448,000 (31 December 2020: RMB3,998,462,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB118,309,000 (31 December 2020: RMB111,047,000) to bank to obtain currency funds. The Group believes that it retains substantially all risk and rewards of the ownership of such endorsed or discounted bills receivable (including relevant risk of default), therefore continues to recognise such endorsed or discounted bills receivable as well as the carrying amount of relevant accounts payable that have been repaid. After the endorsement or discounting of bills receivable, the Group does not retain any right to use such endorsed or discounted notes, including selling, transferring or pledging such endorsed or discounted notes to any third party.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

5. Transfer of financial assets *(continued)*

From January to June 2021, the Group transferred accounts receivable of RMB643,283,000 (January to June 2020: RMB658,650,000) to bank to obtain currency funds. The Group believes that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, therefore derecognised such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are included in investment income amounting to RMB42,636,000 (January to June 2020: RMB50,221,000).

From January to June 2021, the Group securitised accounts receivable of RMB350,828,000 (January to June 2020: RMB1,046,043,000). In this business, the Group, as assets service institution, only provides collection service according to the agreement and does not charge service fee. The Group believes that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, therefore derecognised such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are included in investment income amounting to RMB18,827,000 (January to June 2020: RMB76,293,000).

6. Capital management

The major objective of the Group's capital management is to ensure the Group's continuing operation, and provide the shareholders with continuous return by establishing a price of products and service that matches the risk level so as to obtain financing at reasonable cost.

The Group reviews and manages its capital structure on a regular basis, aiming to achieve most ideal capital structure and return to shareholders. The factors that the Group takes into consideration include: the Group's future capital demand, capital efficiency, actual and expected profitability, expected cash flows, expected capital expenditures and etc. If the economic conditions change and affect the Group, the Group will adjust the capital structure.

The Group monitors and manages its capital structure using asset-liability proportion. At 30 June 2021 and 31 December 2020, the asset-liability proportion are as follows:

	30 June 2021	31 December 2020
Asset-liability proportion (%)	61.40	56.89

IX. DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

RMB'000

Item	Fair value at 30 June 2021 Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	Total	Valuation techniques and inputs	Significant unobservable inputs
(I) Held-for-trading financial assets	–	6,699,222	2,171,826	8,871,048		
1. Derivative financial assets	–	2,672	–	2,672	Note 1	/
2. Bank wealth management products	–	6,696,550	–	6,696,550	Note 3	/
3. Unlisted equity instrument investments	–	–	2,171,826	2,171,826	Note 4	Note 4
(II) Receivables at FVTOCI	–	7,843,640	–	7,843,640	Note 3	/
(III) Equity investments at fair value through other comprehensive income	1,080,818	–	1,537,546	2,618,364		
1. Listed equity instrument investments	1,080,818	–	–	1,080,818	Note 2	/
2. Unlisted equity instrument investments	–	–	1,537,546	1,537,546	Note 5	Note 5
(IV) Other non-current financial assets	572,847	–	–	572,847		
1. Financial assets investments, such as preferred shares	572,847	–	–	572,847	Note 2	/
Total assets measured at fair value on a recurring basis	1,653,665	14,542,862	3,709,372	19,905,899		

Note 1: Discounted cash flow method. Future cash flows are based on forward exchange rate (sourced from the forward exchange rate observed at financial statement date) and estimated contractual forward exchange rate, and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 2: Quoted price (unadjusted) in active market.

Note 3: Discounted cash flow method. Future cash flows are estimated based on expected return and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 4: Discounted cash flow method. Unobservable inputs include revenue growth and system risk factor. The revenue growth is based on the estimate of the management of the investee. The system risk factor is based on the system risk factor of historical stock price of comparative companies.

Note 5: Comparative listed company comparing method and dividends discounting model. The unobservable inputs of the comparative listed company comparing method include liquidity discount. The unobservable inputs of dividends discounting model include expected growth rate and discounting rate.

IX. DISCLOSURE OF FAIR VALUE *(continued)*

2. Reconciliation from the opening balances to the closing balances, and sensitivity analysis on unobservable inputs for items measured at recurring Level 3 fair value measurements

RMB'000

Item	Held-for-trading financial assets (unlisted equity instrument investments)	Investments in other equity instruments (unlisted equity instrument investments)
1 January 2021	1,606,487	1,531,683
Additions	502,437	159,410
Disposals	(2,388)	(153,501)
Profits	67,950	(46)
Included in profit or loss	67,950	–
Included in other comprehensive income	–	(46)
Changes in foreign exchange rates	(2,660)	–
30 June 2021	2,171,826	1,537,546

3. For the current period, there is no transfer among level 1, level 2 and level 3 fair value measurement of the Group's financial assets.

4. Fair value of financial assets and financial liabilities that are not measured at fair value

The Group's financial assets and financial liabilities measured at amortised cost are detailed in Note Ⅷ, 1. Except for the items listed below, the management of the Group believes that the carrying amount of financial assets and financial liabilities in the financial statements approximates the fair value of such assets and liabilities.

RMB'000

Item	Carrying amount		Fair value	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Fixed-rate debt investments	2,515,396	1,169,010	2,424,710	1,076,366
Fixed-rate long-term receivables	13,354,838	13,248,792	12,713,609	12,328,873
Fixed-rate long-term borrowings	2,367,793	1,757,805	1,586,056	1,277,449
Fixed-rate corporate bonds payable	2,500,000	2,500,000	2,347,153	2,399,174

The listed bonds in debt investments are publicly traded in active market and attributable to level 1 fair value measurement; the fair value of debt investments (exclusive of listed bonds), long-term receivables, long-term borrowings and corporate bonds payable are determined based on discounted cash flow and attributable to level 2 fair value measurement, and using the discounting rate reflecting the credit risk of the issuer as the main inputs.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Parent of the Company

RMB'000

Company name	Registered place	Nature of business	Registered capital	Proportion of ownership interest held by the parent company (%)	Proportion of voting power held by the parent company (%)
CRRC Group	Beijing	Manufacturing	23,000,000	51.35	51.35

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC").

2. Subsidiaries of the Company

The Company's subsidiaries are detailed in related note I.2.

3. Joint ventures and associates of the Company

Please see related note VII,3(1) for information of important joint ventures and associates of the Company.

The joint ventures and associates that have transactions with the Group in the current or prior year are as follows:

Name of joint ventures or associates	Relationship with the Company
Shentong CSR (Shanghai) Railway Transportation Vehicle Maintenance Co., Ltd.	Joint ventures
Changchun Bombardier Railway Vehicles Company Ltd.	Joint ventures
Shentong CNR (Shanghai) Railway Transportation Vehicle Maintenance Co., Ltd.	Joint ventures
Guangzhou CSR Sifang Railway Transportation Equipment Co., Ltd.	Joint ventures
Xi'an Sifang Rail Transportation Equipment Co Ltd	Joint ventures
Shenyang Wabtec Brake Technology Co., Ltd.	Joint ventures
Shenzhen CNR Railway Vehicle Co., Ltd.	Joint ventures
Changzhou Langrui Dongyang Driving Technology Co., Ltd.	Joint ventures
Changchun Changke Track Environmental Protection Equipment Co., Ltd.	Joint ventures
Zhuzhou Shiling Transportation Equipment Co., Ltd.	Joint ventures
Jiangsu Langrui Maoda Foundry Co., Ltd.	Joint ventures
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	Joint ventures
Wenzhou CRRC Electric Equipment Co., Ltd.	Joint ventures
Jinan Sirui Railway Vehicle Equipment Science Co., Ltd.	Joint ventures
Beijing Sifang Tongchuang Rail Transit Equipment Co., Ltd.	Joint ventures
Shanxi Jinlong Sifang Railway Vehicle Equipment Co., Ltd.	Joint ventures
CREC Shenyang Railway Equipment Co., Ltd.	Joint ventures

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company *(continued)*

Name of joint ventures or associates	Relationship with the Company
Qingdao Sifang Kawasaki Vehicle technology Co., Ltd.	Associates
CNR Changke (Thailand) Co., Ltd.	Associates
Tianjin Electric Locomotive Co., Ltd.	Associates
Chengdu CRC Xinzhu Railway Transportation Equipment Co., Ltd.	Associates
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	Associates
Knorr Nankou Air Supply Equipment (Beijing) Co., Ltd.	Associates
Beijing Beijiufang Science and Trade Co., Ltd.	Associates
ALSTOM Railway Equipment Co. Ltd. (Qingdao, Shandong)	Associates
ALSTOM Transport Electric Equipment Co. Ltd. (Shanghai)	Associates
Guangzhou Electric Locomotive Co., Ltd.	Associates
Zhuzhou Times Electric Insulation Limited Liability Company	Associates
ABB Datong Traction Transformers Co., Ltd.	Associates
CRRC Ziyang Transmission Co., Ltd.	Associates
Qiqihaer Sanyi Foundry Equipment Co., Ltd.	Associates
Inner Mangolia First Machinery Group Like Plastic Products Co., Ltd.	Associates
Jiangsu CRRC Digital Technology Co., Ltd.	Associates
Huaneng Tieling Daxing Wind Power Co., Ltd.	Associates
Beijing Nankou SKF Railway Bearing Co., Ltd.	Associates
Sichuan CRRC Railway Investment Rail Transit Co., Ltd.	Associates
Guangzhou Junfa Electric Co., Ltd.	Associates
Zhejiang CRRC Shangchi Electric Co., Ltd.	Associates
Wuhu Yunda Rail Transit Construction And Operation Co., Ltd.	Associates
Wuxi CRRC Hofer Powertrain Co., Ltd.	Associates
CRRC Foshan Investment Development Co., Ltd.	Associates
ALSTOM Yongji Electric Equipment Co. Ltd. (Xi'an, Shaanxi)	Associates
Datong CRRC McCann Rail Transportation Equipment Co., Ltd.	Associates
Datong Faiveley Railway Vehicle Equipment Ltd.	Associates
Wuhan Digital Design & Manufacturing Innovation Co., Ltd.	Associates
Jinan-Qing High Speed Railway Co., Ltd.	Associates
Sichuan CSR Sharing Foundry Co., Ltd.	Associates
Zhuzhou Guochuang Rail Technology Co., Ltd.	Associates
Xinyang Amsted Tonghe Wheels Co., Ltd.	Associates
Hangcai Guochuang (Qingdao) High-speed Rail Materials Research Institute Co., Ltd.	Associates
Shanghai CRRC Voith Transmission Technology Co., Ltd.	Associates
Foshan Gaoming Modern Rail Transport Construction & Investment Co., Ltd.	Associates
CREC Shenyang Railway Equipment Co., Ltd.	Associates
Zhuzhou Times Engineering Plastics Technology Co., Ltd.	Associates
Hunan CSR Westinghouse Railway Transportation Technology Co., Ltd.	Associates
Shanghai Nanji Track Equipment Technology Development Co., Ltd.	Associates
Vertex Railcar Corporation	Associates
Taizhou Taizhong Rail Transit Co., Ltd.	Associates
Hunan CRRC Honghui Technology Co., Ltd.	Associates
Hahan Guochuang (Qingdao) Welding Engineering Innovation Center Co., Ltd.	Associates

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company *(continued)*

Name of joint ventures or associates	Relationship with the Company
Qingdao Metro Rail Transit Intelligent Maintenance Co., Ltd.	Associates
Dalian Haipeng Railway Equipment Co., Ltd.	Associates
Zhuzhou Times Huaxin New Material Technology Co., Ltd.	Associates
Siemens Traction Equipment Ltd., Zhuzhou	Associates
Zhuzhou CRRC Railway Transportation Journal Co., Ltd.	Associates

4. Related party transactions

(1). Purchases and sales of goods, rendering and receipt of services

Purchase of goods/receipt of service

RMB'000

Related party	Content of related party transactions	Current period	Prior period
Joint ventures of the Group	Purchase of goods	31,336	489,855
Associates of the Group	Purchase of goods	284,405	476,401
CRRC Group and subsidiaries	Purchase of goods	211,527	180,962
Joint ventures and associates of CRRC Group and subsidiaries	Purchase of goods	3,371	7,768
Joint ventures of the Group	Receipt of service	5,726	–
Associates of the Group	Receipt of service	14,825	–
CRRC Group and subsidiaries	Receipt of service	20,275	8,106
Total	/	571,465	1,163,092

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(1). Purchases and sales of goods, rendering and receipt of services *(continued)*

Sale of goods/rendering of service

RMB'000

Related party	Content of related party transactions	Current period	Prior period
Joint ventures of the Group	Sale of goods	355,657	303,016
Associates of the Group	Sale of goods	747,772	760,904
CRRC Group and subsidiaries	Sale of goods	219,399	91,472
Joint ventures and associates of CRRC Group and subsidiaries	Sale of goods	9,240	38,002
Joint ventures of the Group	Rendering of services	7,653	3,272
Associates of the Group	Rendering of services	56,884	12,036
CRRC Group and subsidiaries	Rendering of services	10,005	5,678
Joint ventures and associates of CRRC Group and subsidiaries	Rendering of services	1,572,796	931,873
Total	/	2,979,406	2,146,253

(2). Leases with related parties

The Company as the lessor:

RMB'000

Name of lessee	Type of assets leased	Lease income recognised in the current period	Lease income recognised in the prior period
Joint ventures of the Group	Fixed assets	–	525
Associates of the Group	Fixed assets	570	340
CRRC Group and subsidiaries	Fixed assets	143	651
Joint ventures and associates of CRRC Group and subsidiaries	Fixed assets	776	647
Total	/	1,489	2,163

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(2). Leases with related parties *(continued)*

The Company as the lessee:

RMB'000

Name of lessor	Type of assets leased	Lease payment recognised in the current period	Lease payment recognised in the prior period
CRRC Group and its subsidiaries	Fixed assets	33,023	24,525
Total	/	33,023	24,525

(3). Guarantees with related parties

The Company as the guarantor

RMB'000

The guaranteed company	Closing balance	Opening balance
Wuhu Yunda	3,295,932	3,295,932

The Company as the guarantee holder

RMB'000

Name of guarantor	Nature of transaction	Closing balance	Opening balance
CRRC Group	Bond guarantee	1,500,000	1,500,000
Total	/	1,500,000	1,500,000

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(4). Funding from related party

RMB'000

Related party	Amount of borrowing/loan	Inception date	Maturity date	Note
Funds received				
CRRC Group and its subsidiaries	13,130	29/07/2020	28/07/2021	/
CRRC Group and its subsidiaries	289,830	29/09/2020	28/09/2021	/
CRRC Group and its subsidiaries	10,000	13/11/2020	13/11/2021	/
CRRC Group and its subsidiaries	90,000	13/11/2020	12/11/2021	/
CRRC Group and its subsidiaries	1,100,000	14/12/2020	13/12/2021	/
Total	1,502,960	/	/	/

(5). Remuneration of key management personnel

RMB'000

Item	Current period	Prior period
Remuneration of key management personnel	4,868	4,066

(6). Other related party transactions

RMB'000

Related party	Nature of transaction	Current period	Prior period
Associates of the Group	Financial service and interest income	4,394	6,665
CRRC Group and its subsidiaries	Financial service and interest income	124,705	150,543
Joint ventures of the Group	Interest expenses	60	25
Associates of the Group	Interest expenses	219	369
CRRC Group and its subsidiaries	Interest expenses	61,925	42,462
Joint ventures and associates of CRRC Group and subsidiaries	Interest expenses	6	116
Total	/	191,309	200,180

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Amounts due from/to related parties

(1). Receivables

RMB'000

Item	Related party	Balance at the end of the period Book value	Balance at the end of the period Provisions for bad and doubtful debts	Balance at the beginning of the period Book value	Balance at the beginning of the period Provisions for bad and doubtful debts
Bills receivable	Joint ventures	9,259	–	11,821	–
Bills receivable	Associates	138,268	1,977	199,254	1,285
Bills receivable	CRRC Group and its subsidiaries	448,284	78	50,744	8,206
Accounts receivable	Joint ventures	873,572	152,943	517,110	140,758
Accounts receivable	Associates	987,494	100,922	1,043,864	104,050
Accounts receivable	CRRC Group and its subsidiaries	332,103	29,602	210,337	24,353
Accounts receivable	CRRC Group and the joint ventures and associates of its subsidiaries	285,494	2,192	302,517	11,209
Receivables at FVTOCI	Joint ventures	6,000	–	–	–
Receivables at FVTOCI	Associates	213,119	–	92,552	525
Receivables at FVTOCI	CRRC Group and its subsidiaries	108,831	–	93,246	6
Receivables at FVTOCI	CRRC Group and the joint ventures and associates of its subsidiaries	–	–	4,570	–
Prepayments	Joint ventures	44,043	84	338,861	–
Prepayments	Associates	196,386	–	286,379	84
Prepayments	CRRC Group and its subsidiaries	18,574	229	23,768	158
Prepayments	CRRC Group and the joint ventures and associates of its subsidiaries	–	–	1,871	–
Other receivables	Joint ventures	2,137	22	432,575	3
Other receivables	Associates	66,595	372	35,309	393
Other receivables	CRRC Group and its subsidiaries	269,493	7,895	1,460,011	7,942
Contract assets	Joint ventures	808,422	16,150	806,566	14,897
Contract assets	Associates	53,363	1,464	46,069	468
Contract assets	CRRC Group and its subsidiaries	36,704	11	27,179	6,552
Contract assets	CRRC Group and the joint ventures and associates of its subsidiaries	14,729	725	46,010	393
Non-current assets due within one year	Joint ventures	23,463	1,057	–	–
Non-current assets due within one year	Associates	268,260	2,688	385,834	3,347
Non-current assets due within one year	CRRC Group and its subsidiaries	12,038,809	114,190	10,232,756	122,180
Long-term receivables	Associates	579,348	535,442	584,718	540,812
Long-term receivables	CRRC Group and its subsidiaries	179,227	179,227	179,227	179,227
Other non-current assets	Joint ventures	8,324	129	5,385	94
Other non-current assets	Associates	289,004	3,874	287,563	3,646
Other non-current assets	CRRC Group and its subsidiaries	13,648	82	24,484	155
Other non-current assets	CRRC Group and the joint ventures and associates of its subsidiaries	81	–	1,269,422	1,269
Total		18,313,034	1,151,355	19,000,002	1,172,012

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Amounts due from/to related parties *(continued)*

(2). Payables

RMB'000

Item	Related party	Closing book Value	Opening book value
Short-term loans	CRRC Group and its subsidiaries	1,502,960	1,987,433
Customer deposits and deposits from banks and other financial institutions	Joint ventures	7,368	24,283
Customer deposits and deposits from banks and other financial institutions	Associates	19,377	49,946
Customer deposits and deposits from banks and other financial institutions	CRRC Group and its subsidiaries	2,590,050	4,040,655
Customer deposits and deposits from banks and other financial institutions	CRRC Group and the joint ventures and associates of its subsidiaries	–	272
Bills payable	Joint ventures	196,648	413,678
Bills payable	Associates	2,000	14,173
Bills payable	CRRC Group and its subsidiaries	22,770	20,205
Bills payable	CRRC Group and the joint ventures and associates of its subsidiaries	–	8,320
Accounts payable	Joint ventures	1,145,683	1,554,033
Accounts payable	Associates	1,127,062	1,486,208
Accounts payable	CRRC Group and its subsidiaries	1,575,788	1,345,006
Accounts payable	CRRC Group and the joint ventures and associates of its subsidiaries	25,753	38,751
Receipts in advance	CRRC Group and its subsidiaries	2,000	2,000
Contract liabilities	Joint ventures	4,092	5,799
Contract liabilities	Associates	146,572	197,711
Contract liabilities	CRRC Group and its subsidiaries	543,635	540,333
Contract liabilities	CRRC Group and the joint ventures and associates of its subsidiaries	636,477	405,202
Other payables	Joint ventures	1,576	6,154
Other payables	Associates	48,993	29,619
Other payables	CRRC Group and its subsidiaries	2,728,161	104,913
Other payables	CRRC Group and the joint ventures and associates of its subsidiaries	1,866	1,584
Non-current liabilities due within one year	Associates	1,623	–
Non-current liabilities due within one year	CRRC Group and its subsidiaries	32,911	–
Non-current liabilities due within one year	CRRC Group and the joint ventures and associates of its subsidiaries	215	222
Lease liabilities	CRRC Group and its subsidiaries	55,702	67,827
Total	/	12,419,282	12,344,327

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

6. Related party commitments

(1). Commitments relating to related parties that have been entered into but not necessary to be presented in the financial statements are as follows

RMB'000

Item	Related party	30 June 2021	31 December 2020
Selling goods to related parties	Joint ventures of the Group	8,675	–
Selling goods to related parties	Associates of the Group	21,056	22,596
Purchasing goods from related parties	Joint ventures of the Group	18,404	–
Purchasing goods from related parties	Associates of the Group	2,578	–
Purchasing goods from related parties	CRRC Group and its subsidiaries	6,235	12,837
Total	/	56,948	35,433

XI. COMMITMENTS AND CONTINGENCIES

1. Capital commitments

RMB'000

Item	30 June 2021	31 December 2020
Construction in progress, fixed assets and land use rights	2,533,459	2,752,027
Other intangible assets	44,620	29,653
Investment commitment	–	249
Total	2,578,079	2,781,929

2. Contingencies

(1). Significant contingencies existed at the balance sheet date

RMB'000

Related unit	Warrantee	Amount of guarantee	Type of guarantee
The Company	Wuhu Yunda	3,295,932	Guarantee for performance, financing and profit or loss

XI. COMMITMENTS AND CONTINGENCIES *(continued)*

3. Others

In 2017, there have been media reports in South Africa of violations of laws related to multiple procurements of locomotives by Transnet. From 2017, Transnet and the relevant state departments in South Africa established special investigation teams to investigate the relevant matters of the procurements of locomotives.

Between 2017 and 2020, South African Reserve Bank has blocked part of the fund deposited in three local bank accounts of the Group's subsidiary in South Africa on the ground that the Group's subsidiary in South Africa is suspected of alleged contraventions of the Exchange Control Regulations in South Africa. On 8 December 2020, the South African Revenue Service ("SARS") lodged a request in the High Court in South Africa to block certain funds deposited in local bank accounts of the Group's subsidiary in South Africa on the ground that the subsidiary is suspected of failing to pay taxes in full in South Africa. As at 30 June 2021, the funds blocked by the South African Reserve Bank and the SARS totalled ZAR4.06 billion (equivalent to RMB1.83 billion). These blocked funds may be subject to forfeiture by the South African Reserve Bank or SARS under relevant regulations. Disclosures of the restricted bank balances are set out in Notes V. 26.

On 9 March 2021, Transnet and Special Investigating Unit under the South African State Institutions have launched an application in the High Court in South Africa in respect of Transnet's locomotive suppliers, including the Group's South African subsidiaries.

As at the announcement date of the interim results, these matters are still in process. The Group's South African subsidiaries has engaged legal counsels to respond regarding the aforementioned application and relevant matters.

The thirtieth meeting of the second session of the Board of Directors held on 18 July 2021 resolved that, CRRC Zhuzhou Locomotive Co., Ltd. ("Zhuzhou Locomotive", a wholly-owned subsidiary of the Company) entered into the i) Entrustment Agreement with CRRC Zhuzhou Electric Locomotive Industrial Management Co., Ltd. ("Zhuzhou Locomotive Industrial", a wholly-owned subsidiary of CRRC GROUP) which shall entrust Zhuzhou Locomotive Industrial to manage the 100% equity interest of CRRC ZELC SA PTY LTD("the Target Company"), and ii) Counter Guarantee Agreement with CRRC Group. Upon the effective date of the Entrustment Agreement, the Target Company will cease to be consolidated in the consolidated financial statements of the Company and the Target Company will cease to be a subsidiary of the Group. Prior to the Entrustment Agreement, in respect of the performance obligations of the Target Company and its subsidiaries under the Locomotive Supply Contracts, Zhuzhou Locomotive has provided performance guarantee for the Target Company. Accordingly, Zhuzhou Locomotive will continue to provide the performance guarantee ("the Guarantee") for the Target Company upon the effective date of the Entrustment Agreement. CRRC GROUP will provide the Counter Guarantee for the obligations of Zhuzhou Locomotive under the Guarantee pursuant to the Counter Guarantee Agreement, signed by CRRC Group and CRRC Zhuzhou Locomotive.

XII. EVENTS AFTER THE BALANCE SHEET DATE

1. Description of other events after the balance sheet date

(1). Issuance of bonds (Super Short-term Financing Bills)

As at the disclosure date of this report, the Company also issued the following Super Short-term Financing Bills:

On 2 July 2021, the Company issued 2021 Fourteenth Tranche of Super Short-term Financing Bills in a total amount of RMB3 billion, the maturity of which is 9 October 2021. The financing bills are undue and have not been settled.

On 14 July 2021, the Company issued 2021 Fifteenth Tranche of Super Short-term Financing Bills in a total amount of RMB3 billion, the maturity of which is 18 August 2021, The financing bills are undue and have not been settled.

XII. EVENTS AFTER THE BALANCE SHEET DATE *(continued)*

1. Description of other events after the balance sheet date *(continued)*

(1). Issuance of bonds (Super Short-term Financing Bills) *(continued)*

On 21 July 2021, the Company issued 2021 Sixteenth Tranche of Super Short-term Financing Bills in a total amount of RMB4 billion, the maturity of which is 23 September 2021. The financing bills are undue and have not been settled.

(2). Entrusted arrangement of subsidiary in South Africa

CRRC ZELC SA PTY LTD. (the "Target Company") is a 100% wholly-owned subsidiary of CRRC Zhuzhou Locomotive Co., Ltd., a subsidiary of the Company. The Target Company and its subsidiaries (collectively the "Target Group") are principally engaged in the procurements of locomotives and locomotive parts under the Locomotive Supply Contracts. Considering the changes in the local market and business environment in South Africa, the operation of the Target Group is subject to certain risks and uncertainties. The thirtieth meeting of the second session of the Board of Directors held on 18 July 2021 resolved that, CRRC Zhuzhou Locomotive Co., Ltd. ("Zhuzhou Locomotive", a wholly-owned subsidiary of the Company) entered into the Entrustment Agreement with CRRC Zhuzhou Electric Locomotive Industrial Management Co., Ltd. ("Zhuzhou Locomotive Industrial", a wholly-owned subsidiary of CRRC GROUP) which shall entrust Zhuzhou Locomotive Industrial to manage the 100% equity interest of the Target Company. Upon the effective date of the Entrustment Agreement, Zhuzhou Locomotive shall entrust Zhuzhou Locomotive Industrial to exercise all shareholder's rights of the Target Company. Pursuant to the Entrustment Agreement, during the entrustment term, all operating gains or operating losses of the Target Company shall be enjoyed or borne by Zhuzhou Locomotive Industrial, and the reward and risk of the overall value change of the equity interest of the Target Company shall also be enjoyed or borne by Zhuzhou Locomotive Industrial. Upon the effective date of the Entrustment Agreement, Zhuzhou Locomotive shall waive all rights as shareholder. The Target Company will cease to be consolidated in the consolidated financial statements of the Company and the Target Company will cease to be a subsidiary of the Company.

XIII. OTHER SIGNIFICANT ITEMS

1. Corrections of prior period accounting errors

The current period does not involve the correction of previous accounting errors.

2. Debt restructuring

As a creditor, the Group performed debt restructuring with certain debtors from January to June 2021 in the following manner.

	Debt restructured		
Type of debt restructuring	Item	Carrying amount	Gains from debt restructuring
Debt restructuring by way of transfer of assets other than financial assets (Note)	Long-term receivables – finance lease receivable (inclusive of those due within 1 year)	–	108,318
Total	/		108,318

Note: From January to June 2021, according to court decision, the Group's certain debtors repaid the debts held by the Group with buildings. The relevant assets are initially recognised at the fair value of the debts relinquished and other costs such as taxes attributable to the relevant assets.

XIII. OTHER SIGNIFICANT ITEMS *(continued)*

3. Segment information

(1). Basis for determining reporting segment and accounting policies

Based on the requirements of operation management, the Group's operating activities are classified in to one separate operating segment, mainly supplying the market with rail transit equipment and extended products and services, therefore the Group has no other operating segment.

(2). Financial information of reporting segment

(i) External revenue

RMB'000

Item	Current period	Prior period
Products and services information:		
Rail transit equipment and extended products and services	95,464,015	89,403,326
Total	95,464,015	89,403,326
Geographical information:		
Mainland China	86,074,309	83,057,500
Other countries and regions	9,389,706	6,345,826
Total	95,464,015	89,403,326

(ii) Total specified non-current assets

RMB'000

Item	30 June 2021	31 December 2020
Mainland China	115,690,018	110,562,470
Other countries and regions	9,549,482	10,799,747
Total	125,239,500	121,362,217

The non-current assets are attributable to the regions where the assets are located, and exclude financial assets, financing lease receivable and deferred tax assets.

(iii) Major customers

The Group's operating income from major customer China State Railway Group is RMB33,960,627,000 (January-June 2020: RMB37,150,627,000). The Group has no other single customer from which the revenue accounts for over 10% of the Group's operating income.

XIII. OTHER SIGNIFICANT ITEMS *(continued)*

4. Net current assets and total assets less current liabilities

(1). Net current assets

RMB'000

Item	30 June 2021	31 December 2020
Current assets	289,933,059	249,727,225
Less: Current liabilities	239,711,877	197,492,911
Net current assets	50,221,182	52,234,314

(2). Total assets less current liabilities

RMB'000

Item	30 June 2021	31 December 2020
Total assets	437,319,629	392,380,368
Less: Current liabilities	239,711,877	197,492,911
Total assets less current liabilities	197,607,752	194,887,457

5. Calculation process of basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated at net profit attributable the Company's ordinary shareholders divided by the weighted average number of outstanding ordinary shares:

RMB'000

Item	Current period	Prior period
Net profit attributable to ordinary shareholders (RMB'000)	3,988,656	3,692,655
Weighted average number of outstanding ordinary shares (thousand shares)	28,698,864	28,698,864
Basic earnings per share (RMB/share)	0.14	0.13

XIII. OTHER SIGNIFICANT ITEMS *(continued)*

5. Calculation process of basic earnings per share and diluted earnings per share *(continued)*

(2). Diluted earnings per share

The diluted earnings per share is calculated at net profit attributable to the Company (as adjusted) divided by the weighted average number of outstanding ordinary shares based on the assumption that all the diluted potential ordinary shares have been converted. The Company's diluted potential ordinary shares are 2016 convertible bonds.

RMB'000

Item	Current period	Prior period
Net profit attributable to ordinary shareholders (RMB'000)	3,988,656	3,692,655
Add: Effect of convertible bonds (thousand shares)	(14,939)	61,684
Net profit used to calculate diluted earnings per share (RMB'000)	3,973,717	3,754,339
Weighted average number of outstanding ordinary shares (thousand shares)	28,698,864	28,698,864
Add: Effect of convertible bonds (thousand shares)	106,232	311,608
Number of outstanding ordinary shares used to calculate diluted earnings per share (thousand shares)	28,805,096	29,010,472
Diluted earnings per share (RMB/share)	0.14	0.13

Assuming that all the Group's outstanding convertible bonds have been converted to ordinary shares at the date of issuance, the earnings per share will decrease and the convertible bonds are diluted.

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Cash and bank balances

RMB'000

Item	Closing balance	Opening balance
Cash on hand	–	319
Deposits with banks	9,580,047	463,556
Other monetary funds	500,384	501,301
Total	10,080,431	965,176

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

1. Cash and bank balances *(continued)*

(i) Cash at bank and on hand with restrictive ownership title or right of use

RMB'000

	Closing balance	Opening balance
Deposit for bills receivable	500,384	501,301
Total	500,384	501,301

On 30 June 2021, the unsecured and unrestricted time deposits with maturity of three months and above were RMB7,950,000,000 (31 December 2020: None).

2. Other receivables

Presented by item

RMB'000

Item	Closing balance	Opening balance
Interest receivable	59,389	–
Dividends receivable	1,709,553	2,873,874
Other receivables	15,561,188	16,004,530
Total	17,330,130	18,878,404

Other receivables

(1). Disclosure by aging analysis

RMB'000

Ageing	Closing balance	Opening balance
Within 1 year	14,525,491	11,964,634
1- 2 years	282,000	1,537,178
2- 3 years	270,310	2,503,207
Over 3 years	483,390	–
Sub-total	15,561,191	16,005,019
Less: Credit loss allowance	(3)	(489)
Total	15,561,188	16,004,530

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables *(continued)*

Other receivables *(continued)*

(2). Categories of other receivables by nature

RMB'000

Nature of other receivables	Closing balance	Opening balance
Transactions between subsidiaries	15,376,457	14,370,630
Others	184,731	1,633,900
Total	15,561,188	16,004,530

(3). Dividends receivable

RMB'000

Item (or investee)	Closing balance	Opening balance
Dividends receivable from subsidiaries	1,699,333	2,873,874
Dividends receivable from associates	10,220	–
Total	1,709,553	2,873,874

(4). Top five entities with the largest balances of other receivables at 30 June 2021

RMB'000

Name	Closing balance	Proportion to total other receivables at 30 June 2021 (%)	Credit loss allowance at 30 June 2021
Top 5 other receivables	10,876,000	69.89	–

3. Long-term equity investments

RMB'000

Item	Closing balance Book value	Closing balance Provision for impairment	Closing balance Carrying amount	Opening balance Book value	Opening balance Provision for impairment	Opening balance Carrying amount
Investments in subsidiaries	99,612,449	–	99,612,449	99,262,449	–	99,262,449
Investments in joint ventures and associates	6,242,525	–	6,242,525	6,147,003	–	6,147,003
Total	105,854,974	–	105,854,974	105,409,452	–	105,409,452

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

3. Long-term equity investments *(continued)*

(1) Investments in subsidiaries

RMB'000

Investee	Opening balance	Increases	Decreases	Closing balance
CRRC Changchun	11,538,846	–	–	11,538,846
CRRC Zhuzhou Institute	11,113,162	–	–	11,113,162
CRRC Zhuzhou Locomotive	5,669,546	–	–	5,669,546
CRRC Qingdao Sifang	4,895,235	–	–	4,895,235
CRRC Tangshan	8,429,399	–	–	8,429,399
CRRC Dalian	6,188,301	132,000	–	6,320,301
CRRC Qiqihar Group	7,894,071	–	–	7,894,071
CRRC Yangtze River Group	5,674,459	–	–	5,674,459
CRRC Investment & Leasing	3,214,106	–	–	3,214,106
CRRC Qishuyan	2,411,044	–	–	2,411,044
CRRC Qishuyan Institute	2,165,166	60,000	–	2,225,166
CRRC Capital Management	2,511,188	–	–	2,511,188
CRRC Nanjing Puzhen	4,276,757	–	–	4,276,757
CRRC Hong Kong Capital Management	3,180,486	–	–	3,180,486
CRRC Construction Engineering	845,372	–	–	845,372
CRRC Yongji Moto	2,266,438	–	–	2,266,438
CRRC Sifang Institute	3,119,677	–	–	3,119,677
CRRC Finance	2,434,613	–	–	2,434,613
CRRC Zhuzhou Moto	1,351,727	–	–	1,351,727
CRRC Ziyang	1,061,086	–	–	1,061,086
CRRC Beijing Nankou	524,412	–	–	524,412
CRRC Datong	1,313,207	–	–	1,313,207
CRRC Dalian R&D	196,206	–	–	196,206
CRRC Dalian Institute	713,907	100,000	–	813,907
CRRC Sifang	593,645	–	–	593,645
CRRC Logistics	630,196	–	–	630,196
CRRC Industrial Institute	200,000	28,000	–	228,000
CRRC International	682,337	–	–	682,337
CRRC Information Technology	119,175	30,000	–	149,175
CRRC Financial Leasing	2,430,000	–	–	2,430,000
Other subsidiaries	1,618,685	–	–	1,618,685
Total	99,262,449	350,000	–	99,612,449

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

3. Long-term equity investments *(continued)*

(2) Investments in joint ventures and associates

RMB'000

Name of investee	Opening balance	Additional investment	Reduction in investment	Changes for the period: Investment income or loss under equity method	Adjustments to other comprehensive income	Changes in other equity	Cash dividend or profits declared	Closing balance
I. Joint ventures								
Wuhu Yunda	100,765	39,137	–	–	–	–	–	139,902
Sub-total	100,765	39,137	–	–	–	–	–	139,902
II. Associates								
China United Insurance	5,250,627	–	–	61,764	2,171	–	(10,000)	5,304,562
Others	795,611	–	–	2,561	–	109	(220)	798,061
Sub-total	6,046,238	–	–	64,325	2,171	109	(10,220)	6,102,623
Total	6,147,003	39,137	–	64,325	2,171	109	(10,220)	6,242,525

4. Investment income

RMB'000

Item	Current period	Prior period
Income from long-term equity investments accounted for using cost method	1,358,581	1,201,577
Income from long-term equity investment under equity method	64,325	73,176
Total	1,422,906	1,274,753

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

5. Supplementary information to the cash flow statement

(1). Supplementary information to the cash flow statement

RMB'000

Supplementary information	Current period	Prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,182,086	1,295,821
Impairment losses under expected credit loss model	(4,460)	1,805
Depreciation of fixed assets	2,667	3,125
Depreciation of right-of-use assets	6,267	6,267
Amortisation of intangible assets	9,934	9,552
Losses from disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)	(4)	–
Gains from changes in fair value	–	(5,419)
Financial expenses	(32,597)	(114,204)
Investment income	(1,422,906)	(1,274,753)
Decrease in operating receivables	512,108	665,197
Decrease/(increase) in operating payables	715,012	(24,365)
Net cash flows generated from operating activities	968,107	563,026
2. Net changes in cash and cash equivalents		
Closing balance of cash	1,630,047	4,031,140
Less: Opening balance of cash	463,875	11,369,799
Net (decrease)/increase in cash and cash equivalents	1,166,172	(7,338,659)

(2). Composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	1,630,047	463,875
Including: Cash on hand	–	319
Bank deposits available on demand	1,630,047	463,556
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	1,630,047	463,875

XV. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring gain or loss

RMB'000

Item	Amount	Note
Profit or loss on disposal of non-current assets	502,935	/
Government grants recognised in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	1,013,926	/
Restructuring costs, such as staff compensation cost and integration expenses	(7,536)	/
Debt restructuring	108,318	/
Profit or loss on changes in the fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income on disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment, other than those used in the effective hedging activities relating to normal operating business	82,424	/
Other non-operating income or expenses other than the above	(218,474)	/
Effects attributable to minority interests	(122,986)	/
Tax effects	(169,817)	/
Total	1,188,790	/

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share Basic earnings per share	 Diluted earnings per share
Net profit attributable to the Company's ordinary equity shareholders	2.75	0.14	0.14
Net profit excluding non-recurring gain and loss attributable to the Company's ordinary equity shareholders	1.93	0.10	0.10

Chairman of the Board: Sun Yongcai

The date on which the financial statements are authorised for issue by the Board: 27 August 2021

CNR	former China CNR Corporation Limited (中國北車股份有限公司)
CNRG	former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)
Corporate Governance Code	Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRC Changchun	CRRC Changchun Railway Vehicles Co., Ltd. (中車長春軌道客車股份有限公司)
CRRC Sifang	CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)
CRRC Tangshan	CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)
CRRC ZELRI	CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. (中車株洲電力機車研究所有限公司)
CRRC Zhuzhou	CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)
CRRCG or CRRC GROUP	CRRC GROUP Co., Ltd. (中國中車集團有限公司)
CSR	former CSR Corporation Limited (中國南車股份有限公司)
CSR and CNR	CSR and CNR
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CSRG	former CSR Group (中國南車集團公司)
Finance Company	CRRC Finance Co., Ltd. (中車財務有限公司)
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
SASAC	State-owned Asset Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
SFO	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	Shanghai Stock Exchange
State Railway Group	China State Railway Group Co., Ltd. (中國國家鐵路集團有限公司)
Stock Exchange	The Stock Exchange of Hong Kong Limited
Times Electric	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司)
Times New Material	Zhuzhou Times New Material Technology Co., Ltd. (株洲時代新材料科技股份有限公司)

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